

**REGULAR MEETING OF THE
FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT
AND REVITALIZATION DISTRICT**

Tuesday, January 2, 2018 – 10:00 AM
Council Offices - Second Floor
Flagstaff City Hall – 211 West Aspen, Flagstaff, Arizona

A G E N D A

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the FDBIRD Board of Directors and to the general public that, at this meeting, the Board may vote to go into executive session, which will not be open to the public, for legal advice and discussion with the District's attorney on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

1. Call to Order
2. Roll Call
3. Approval of Minutes of the Board meeting of October 3, 2017.
4. Approval of Financial Statements for:
 - A. September 2017
 - B. October 2017
 - C. November 2017
5. Acceptance of the FY2017 Audit Reports.
6. Discussion of FY2019 Budget Calendar.
7. Quarterly Report by FDBA Director Terry Madeksza.
8. PUBLIC PARTICIATION

Public Participation enables the public to address the Board about an item that is not on the agenda. Comments relating to items that are on the agenda will be taken at the time that the item is discussed.
9. Report of Board of Directors.
10. Adjournment

CERTIFICATE OF POSTING OF NOTICE

The undersigned hereby certifies that a copy of the foregoing notice was duly posted at Flagstaff City Hall on _____, at _____ a.m./p.m. in accordance with the statement filed by the Board with the District Clerk.

Elizabeth A. Burke, MMC, District Clerk

**REGULAR MEETING OF THE
FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT
AND REVITALIZATION DISTRICT**

**Tuesday, October 3, 2017 – 10:00 AM
Staff Conference Room - Second Floor
Flagstaff City Hall – 211 West Aspen, Flagstaff, Arizona**

MINUTES

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the FDBIRD Board of Directors and to the general public that, at this meeting, the Board may vote to go into executive session, which will not be open to the public, for legal advice and discussion with the District's attorney on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A) (3).

1. Call to Order

Chairman Stilley called the meeting to order at 10:10 a.m.

2. Welcome to New Board Member Steve Chatinsky

All members welcomed Mr. Chatinsky to the Board.

3. Roll Call

MEMBERS PRESENT:

Chairman David Stilley
Vice Chairman Karen Kinne-Herman
Member Antoinette Beiser
Member Steve Chatinsky
Member John VanLandingham

MEMBERS ABSENT:

None

Others present: District Attorney Dana Kjellgren; District Clerk Elizabeth A. Burke; FDDB Executive Director Terry Madeksza.

4. Approval of Minutes of the Board Meeting of July 18, 2017.

Vice Chairman Kinne-Herman asked that the minutes of July 18, 2017, reflect that Ms. Madeksza was referring to John VanLandingham.

Vice Chairman Kinne-Herman moved to approve the minutes of July 18, 2017, as amended; seconded; passed unanimously.

5. Approval of Financial Statements:

- A. March 2017
- B. April 2017

- C. May 2017
- D. June 2017
- E. July 2017
- F. August 2017

Vice Chairman Kinne-Herman moved to approve items 5A through 5F; seconded; passed unanimously.

6. Consideration of Authorization of Semiannual Payment to Flagstaff Downtown Business Alliance in the amount of \$79,250.

Members commended Ms. Madeksza for a great job being done for the District.

Member Beiser moved to approve the authorization of the semiannual payment to Flagstaff Downtown Business Alliance in the amount of \$79,250; seconded; passed unanimously.

7. Report by FDBA Director Terry Madeksza.

Ms. Madeksza gave an update on the Parking Program, noting that it goes live on Friday, October 6, 2017. She said that they have conducted more than 200 one-on-one meetings with stakeholders, and have held stakeholder meetings, open houses, and provided e-mail updates. She said that the outreach within the downtown community has been strong.

Ms. Madeksza said that they have engaged the businesses and have formed a Parking Angels Program, with more than 23 businesses participating to date. They are providing discounts for parking on their purchases, and sometimes paying for it altogether. She said that some of the negative comments about the parking program have been coming from those residents outside of the downtown area, and this is a way of saying that the business community wants them to come downtown.

She said that there is a good representation on both the north and south side of the downtown area. She said that many of the professional service businesses are asking for their clients' license numbers when they make appointments and paying for their parking through their Whoosh app.

Ms. Madeksza said that the area that still needs further work is with delivery truck management. She said that as trucks come up from out of the Valley, they arrive later in the day and they are using the parking enforcement staff to train and better direct those drivers.

Another concept they have been discussing is a Park and Ride process. Right now a lot of people cannot take public transportation because they live outside of the City boundaries, so they are looking at finding a way to come in, park and have a bus or shuttle service. This is something they will be looking at in the future.

The issue of employee parking is also being discussed, including a few different options such as purchasing a \$45/month parking permit allowing them to park in designated areas. Right now they are running about 80% full on the north side and 40% on the south side. For those that do not want to pay they are being given a free bus pass, available for employees working downtown. She said that NAIPTA has in the past worked with large

employers, but they were able to get the entire downtown area considered as a large employer as well. Additionally, there is still free parking north of Cherry in the residential neighborhoods.

The residential areas still have the option of obtaining more than 50% of the residents requesting a parking plan which reserves one side of the road for permits, but the other side is still available for the public.

Ms. Madeksza said that a lot of people are taking a “wait and see” approach. After Friday, they will see more people applying for an E Permit and more will decide to walk or ride the bus. She said that she will be able to report at the next meeting on how the program is working.

She said that on the south side there will be a good amount of parking enforcement, while on the north side there will be a much more customer-based attitude. She said that for the first few months there will be an unwritten grace period for everyone to get used to the program, receiving a warning instead of a ticket. Once the system is fully operational after January 1, everyone’s first encounter will be a warning. For visitors, their experience the first time will be a warning.

Member VanLandingham said that not only will they receive a warning, they will receive a printed “thank you” for people paying to parking and explaining what the revenues will go toward in the future. He said that 100% of visitors are going to understand what to do with the program; most have experienced this in other communities. The challenge in Flagstaff will be the local residents.

Member VanLandingham said that his employees will be asking if they paid to park, and if so, they will take \$1 off of their purchase.

Ms. Madeksza said that the City has a new Public Information Officer, Jessica Drum, and part of her mission is to provide to the broader community in an effective way what ParkFlag is so that her message matches their messages

She said that several weeks ago she provided an update on the State of Downtown to the County’s Board of Supervisors and it was well received. She said that they are also on the agenda for an upcoming City Council report.

Vice Chairman Kinne-Herman asked Ms. Madeksza if she receives regular updates on the sales tax, attendance on the square and walkabouts. Ms. Madeksza said that they were able to do so in the past, but since the State has taken over the control of sales tax, it has become more difficult. She said that she continues to have this discussion with the City and they are trying to find a solution.

Ms. Madeksza reported that this past year has been the most successful season for the Movies on the Square, with a net gain of \$40,000. It has been so successful that they are holding a celebration this coming Sunday showing Rogue One at 6:00 p.m. She said that one of the successful acts was from *Dancing Grannies* so they have been invited to return this weekend.

Ms. Madeksza said that every weekend in October there is an activity downtown. Next weekend is the CVB’s Fall Festival and then they have the Locals Night and later in the

month the Pep Rally for the NAU Homecoming game. She said that Tequila Sunrise will remain on that Saturday morning, but they are focusing their messaging on Friday's Pep Rally.

They are also starting a "Slack Friday" to take the place of Black Friday, encouraging locals to sleep in on that Friday and come downtown for a mimosa and shopping without needing to get to the stores at 4:00 a.m.

She said that they will be adding to the holiday lights put up last year and this year they are looking to light the train. They will be lighting 45 additional trees and have more than 45 buildings lit. She said they will be holding the window decorating contest again this year and rather than having Breakfast with Santa at the Orpheum it will be held at the Weatherford. They will continue the free winter movies series every Saturday. She said that in the past the Winter Wonderland event included the tree lighting downtown and then moving to the Aquaplex. This year they will start activities at noon downtown with a S'mores Bar and Hot Cocoa and continue with the activities downtown. Depending on weather, it will either be in the square or moved inside the Old Town Shops.

She said that they will have an e-mail go out with the calendar and show businesses signing up for different things. Their goal is to give people a memorable and positive experience, and/or to increase spending the downtown businesses.

She also reported that the Clean Team is up and running and are wearing the bright blue shirts.

8. PUBLIC PARTICIPATION

Public Participation enables the public to address the Board about an item that is not on the agenda. Comments relating to items that are on the agenda will be taken at the time that the item is discussed.

None

9. Report of Board of Directors.

None

10. Adjournment

The Regular Meeting of the Flagstaff Downtown Business Improvement and Revitalization held October 3, 2017, adjourned at 10:55 a.m.

David Stilley, Chairman

ATTEST:

Elizabeth A. Burke, District Clerk



Johanna Klomann, CPA, PLLC

ITEM 4-A

419 W Aspen Ave, Flagstaff, AZ 86001

(Office) [928-774-8995](tel:928-774-8995)

(Fax) [866-706-1017](tel:866-706-1017)

KlomannCPA.com

Flagstaff Downtown Business Improvement

Dear Board of Directors:

I have prepared the accompanying balance sheet of Flagstaff Downtown Business Improvement (a not for profit organization) as of September 30, 2017, as well as a Budget to Actual Income Statement and General Ledger in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. I have not audited, reviewed or compiled the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with U.S. generally accepted accounting principles.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared in accordance with U.S. generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the organization's assets, liabilities, net assets, revenue, and expenses. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Johanna Klomann, CPA

October 26, 2017

1:16 PM
10/26/17
Accrual Basis

FDBIRD
Balance Sheet
As of September 30, 2017

	<u>Sep 30, 17</u>
ASSETS	
Current Assets	
Checking/Savings	
BBVA Checking	10,244.97
BBVA Money Mkt	84,549.47
Total Checking/Savings	<u>94,794.44</u>
Total Current Assets	<u>94,794.44</u>
TOTAL ASSETS	<u><u>94,794.44</u></u>
LIABILITIES & EQUITY	
Equity	
Unrestricted Net Assets	94,147.54
Net Income	646.90
Total Equity	<u>94,794.44</u>
TOTAL LIABILITIES & EQUITY	<u><u>94,794.44</u></u>

FDBIRD
Budget to Actual Income Statement
 July through September 2017

	Jul - Sep 17	Budget	\$ Over Budget
Ordinary Income/Expense			
Income			
BID Prop. Tax Assess. May	1,916.50	66,003.00	-64,086.50
BID Prop. Tax Assess. Nov.	0.00	66,003.00	-66,003.00
Carry Forwards	0.00	93,591.00	-93,591.00
City of Flagstaff	0.00	10,852.00	-10,852.00
Coconino County	0.00	25,644.00	-25,644.00
Interest Earned	10.28	120.00	-109.72
Total Income	1,926.78	262,213.00	-260,286.22
Expense			
Contingency	0.00	20,000.00	-20,000.00
District Formation Expenses			
One Time Infrastructure Project	0.00	10,000.00	-10,000.00
Total District Formation Expenses	0.00	10,000.00	-10,000.00
Management Overhead	0.00	158,500.00	-158,500.00
Dues & Subscriptions	0.00	0.00	0.00
Insurance	0.00	0.00	0.00
Overhead - Other	0.00	6,715.00	-6,715.00
Total Overhead	0.00	6,715.00	-6,715.00
Professional Services			
Accounting (Audit & Tax)	0.00	0.00	0.00
Bookkeeping	91.88	0.00	91.88
Contract Clerk & Treasurer	569.62	0.00	569.62
Legal Counsel	618.38	0.00	618.38
Professional Services - Other	0.00	9,700.00	-9,700.00
Total Professional Services	1,279.88	9,700.00	-8,420.12
Total Expense	1,279.88	204,915.00	-203,635.12
Net Ordinary Income	646.90	57,298.00	-56,651.10
Net Income	646.90	57,298.00	-56,651.10

1:16 PM

10/26/17

Accrual Basis

FDBIRD
General Ledger
As of September 30, 2017

Type	Date	Num	Adj	Name	Memo	Split	Debit	Credit	Balance
BBVA Checking									10,357.10
Check	09/27/2017	1083		Kjellgren & Speed		Legal Counsel		112.13	10,244.97
Total BBVA Checking							0.00	112.13	10,244.97
BBVA Money Mkt									84,545.88
Deposit	09/01/2017				Interest	Interest Earned	3.59		84,549.47
Total BBVA Money Mkt							3.59	0.00	84,549.47
Accounts Receivable									0.00
Total Accounts Receivable									0.00
Undeposited Funds									0.00
Total Undeposited Funds									0.00
Furniture and Equipment									0.00
Total Furniture and Equipment									0.00
Marketable Securities									0.00
Total Marketable Securities									0.00
Other Assets									0.00
Total Other Assets									0.00
Security Deposits Asset									0.00
Total Security Deposits Asset									0.00
Accounts Payable									0.00
Total Accounts Payable									0.00
Payroll Liabilities									0.00
Total Payroll Liabilities									0.00
Other Liabilities									0.00
Total Other Liabilities									0.00
Opening Balance Equity									0.00
Total Opening Balance Equity									0.00
Perm. Restricted Net Assets									0.00
Total Perm. Restricted Net Assets									0.00
Temp. Restricted Net Assets									0.00
Total Temp. Restricted Net Assets									0.00
Unrestricted Net Assets									-94,147.54
Total Unrestricted Net Assets									-94,147.54
BID Prop. Tax Assess. May									-1,916.50
Total BID Prop. Tax Assess. May									-1,916.50
BID Prop. Tax Assess. Nov.									0.00
Total BID Prop. Tax Assess. Nov.									0.00
Carry Forwards									0.00
Total Carry Forwards									0.00
City of Flagstaff									0.00
Total City of Flagstaff									0.00
Coconino County									0.00
Total Coconino County									0.00
Events									0.00
Total Events									0.00
Grants									0.00
Total Grants									0.00
Interest Earned									-6.69
Deposit	09/01/2017				Interest	BBVA Money Mkt		3.59	-10.28
Total Interest Earned							0.00	3.59	-10.28
Other Contributions									0.00
City of Flagstaff IGA									0.00
Total City of Flagstaff IGA									0.00
One Time Infrastructure Project									0.00
Total One Time Infrastructure Project									0.00
Other Contributions - Other									0.00
Total Other Contributions - Other									0.00
Total Other Contributions									0.00
Sponsorships									0.00
Total Sponsorships									0.00

1:16 PM
 10/26/17
 Accrual Basis

FDBIRD
General Ledger
 As of September 30, 2017

Type	Date	Num	Adj	Name	Memo	Split	Debit	Credit	Balance
Contingency									0.00
Total Contingency									0.00
District Formation Expenses									0.00
Election Expenses									0.00
Total Election Expenses									0.00
One Time Infrastructure Project									0.00
Total One Time Infrastructure Project									0.00
District Formation Expenses - Other									0.00
Total District Formation Expenses - Other									0.00
Total District Formation Expenses									0.00
Management									0.00
Total Management									0.00
Overhead									0.00
Dues & Subscriptions									0.00
Total Dues & Subscriptions									0.00
Insurance									0.00
Total Insurance									0.00
Overhead - Other									0.00
Total Overhead - Other									0.00
Total Overhead									0.00
Payroll Expenses									0.00
Total Payroll Expenses									0.00
Professional Services									1,167.75
Accounting (Audit & Tax)									0.00
Total Accounting (Audit & Tax)									0.00
Bookkeeping									91.88
Total Bookkeeping									91.88
Contract Clerk & Treasurer									569.62
Total Contract Clerk & Treasurer									569.62
Legal Counsel									506.25
Check	09/27/2017	1083		Kjellgren & Speed		BBVA Checking	112.13		618.38
Total Legal Counsel							112.13	0.00	618.38
Parking Development									0.00
Total Parking Development									0.00
Professional Services - Other									0.00
Total Professional Services - Other									0.00
Total Professional Services							112.13	0.00	1,279.88
Website									0.00
Total Website									0.00
Ask My Accountant									0.00
Total Ask My Accountant									0.00
No acct									0.00
Total no acct									0.00
TOTAL							<u>115.72</u>	<u>115.72</u>	<u>0.00</u>



Johanna Klomann, CPA, PLLC

ITEM 4-B

419 W Aspen Ave, Flagstaff, AZ 86001

(Office) [928-774-8995](tel:928-774-8995) (Fax) [866-706-1017](tel:866-706-1017) KlomannCPA.com

Flagstaff Downtown Business Improvement

Dear Board of Directors:

I have prepared the accompanying balance sheet of Flagstaff Downtown Business Improvement (a not for profit organization) as of October 31, 2017, as well as a Budget to Actual Income Statement and General Ledger in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. I have not audited, reviewed or compiled the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with U.S. generally accepted accounting principles.

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Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared in accordance with U.S. generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the organization's assets, liabilities, net assets, revenue, and expenses. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Johanna Klomann, CPA
December 27, 2017

FDBIRD
Balance Sheet
As of October 31, 2017

	<u>Oct 31, 17</u>
ASSETS	
Current Assets	
Checking/Savings	
BBVA Checking	2,637.58
BBVA Money Mkt	54,983.44
Total Checking/Savings	<u>57,621.02</u>
Total Current Assets	<u>57,621.02</u>
TOTAL ASSETS	<u>57,621.02</u>
LIABILITIES & EQUITY	
Equity	
Unrestricted Net Assets	94,147.54
Net Income	-36,526.52
Total Equity	<u>57,621.02</u>
TOTAL LIABILITIES & EQUITY	<u>57,621.02</u>

FDBIRD

Budget to Actual Income Statement

July through October 2017

	Jul - Oct 17	Budget	\$ Over Budget
Ordinary Income/Expense			
Income			
BID Prop. Tax Assess. May	22,070.00	66,003.00	-43,933.00
BID Prop. Tax Assess. Nov.	0.00	66,003.00	-66,003.00
Carry Forwards	0.00	93,591.00	-93,591.00
City of Flagstaff	0.00	10,852.00	-10,852.00
Coconino County	25,277.00	25,644.00	-367.00
Interest Earned	13.75	120.00	-106.25
Total Income	47,360.75	262,213.00	-214,852.25
Expense			
Contingency	0.00	20,000.00	-20,000.00
District Formation Expenses			
One Time Infrastructure Project	0.00	10,000.00	-10,000.00
Total District Formation Expenses	0.00	10,000.00	-10,000.00
Management Overhead	79,250.00	158,500.00	-79,250.00
Dues & Subscriptions	0.00	0.00	0.00
Insurance	1,413.00	0.00	1,413.00
Overhead - Other	0.00	6,715.00	-6,715.00
Total Overhead	1,413.00	6,715.00	-5,302.00
Professional Services			
Accounting (Audit & Tax)	1,500.00	0.00	1,500.00
Bookkeeping	236.27	0.00	236.27
Contract Clerk & Treasurer	869.62	0.00	869.62
Legal Counsel	618.38	0.00	618.38
Professional Services - Other	0.00	9,700.00	-9,700.00
Total Professional Services	3,224.27	9,700.00	-6,475.73
Total Expense	83,887.27	204,915.00	-121,027.73
Net Ordinary Income	-36,526.52	57,298.00	-93,824.52
Net Income	-36,526.52	57,298.00	-93,824.52

4:51 PM

12/27/17

Accrual Basis

FDBIRD
General Ledger
As of October 31, 2017

Type	Date	Num	Adj	Name	Memo	Split	Debit	Credit	Balance
BBVA Checking									10,244.97
Check	10/03/2017	1084		Johanna Klomann C...				144.39	10,100.58
Deposit	10/03/2017				Deposit	Bookkeeping	75,000.00		85,100.58
Check	10/05/2017	1089		Elizabeth Burke				300.00	84,800.58
Check	10/20/2017	1085		Hinton Burdick				1,500.00	83,300.58
Check	10/23/2017	1088		Flagstaff DBA				79,250.00	4,050.58
Check	10/25/2017	1087		Philadelphia Insurance				1,413.00	2,637.58
Total BBVA Checking							75,000.00	82,607.39	2,637.58
BBVA Money Mkt									84,549.47
Deposit	10/02/2017				Interest	Interest Earned	3.47		84,552.94
Deposit	10/03/2017							75,000.00	9,552.94
Deposit	10/17/2017						20,153.50		29,706.44
Deposit	10/19/2017						25,277.00		54,983.44
Total BBVA Money Mkt							45,433.97	75,000.00	54,983.44
Accounts Receivable									0.00
Total Accounts Receivable									0.00
Undeposited Funds									0.00
Total Undeposited Funds									0.00
Furniture and Equipment									0.00
Total Furniture and Equipment									0.00
Marketable Securities									0.00
Total Marketable Securities									0.00
Other Assets									0.00
Total Other Assets									0.00
Security Deposits Asset									0.00
Total Security Deposits Asset									0.00
Accounts Payable									0.00
Total Accounts Payable									0.00
Payroll Liabilities									0.00
Total Payroll Liabilities									0.00
Other Liabilities									0.00
Total Other Liabilities									0.00
Opening Balance Equity									0.00
Total Opening Balance Equity									0.00
Perm. Restricted Net Assets									0.00
Total Perm. Restricted Net Assets									0.00
Temp. Restricted Net Assets									0.00
Total Temp. Restricted Net Assets									0.00
Unrestricted Net Assets									-94,147.54
Total Unrestricted Net Assets									-94,147.54
BID Prop. Tax Assess. May									-1,916.50
Deposit	10/17/2017				Deposit	BBVA Money Mkt		20,153.50	-22,070.00
Total BID Prop. Tax Assess. May							0.00	20,153.50	-22,070.00
BID Prop. Tax Assess. Nov.									0.00
Total BID Prop. Tax Assess. Nov.									0.00
Carry Forwards									0.00
Total Carry Forwards									0.00
City of Flagstaff									0.00
Total City of Flagstaff									0.00
Coconino County									0.00
Deposit	10/19/2017				Deposit	BBVA Money Mkt		25,277.00	-25,277.00
Total Coconino County							0.00	25,277.00	-25,277.00
Events									0.00
Total Events									0.00
Grants									0.00
Total Grants									0.00
Interest Earned									-10.28
Deposit	10/02/2017				Interest	BBVA Money Mkt		3.47	-13.75
Total Interest Earned							0.00	3.47	-13.75
Other Contributions									0.00
City of Flagstaff IGA									0.00
Total City of Flagstaff IGA									0.00
One Time Infrastructure Project									0.00
Total One Time Infrastructure Project									0.00

FDBIRD
General Ledger
As of October 31, 2017

Type	Date	Num	Adj	Name	Memo	Split	Debit	Credit	Balance
Other Contributions - Other									0.00
Total Other Contributions - Other									0.00
Total Other Contributions									0.00
Sponsorships									0.00
Total Sponsorships									0.00
Contingency									0.00
Total Contingency									0.00
District Formation Expenses									0.00
Election Expenses									0.00
Total Election Expenses									0.00
One Time Infrastructure Project									0.00
Total One Time Infrastructure Project									0.00
District Formation Expenses - Other									0.00
Total District Formation Expenses - Other									0.00
Total District Formation Expenses									0.00
Management									0.00
Check	10/23/2017	1088		Flagstaff DBA		BBVA Checking	79,250.00		79,250.00
Total Management							79,250.00	0.00	79,250.00
Overhead									0.00
Dues & Subscriptions									0.00
Total Dues & Subscriptions									0.00
Insurance									0.00
Check	10/25/2017	1087		Philadelphia Insurance		BBVA Checking	1,413.00		1,413.00
Total Insurance							1,413.00	0.00	1,413.00
Overhead - Other									0.00
Total Overhead - Other									0.00
Total Overhead							1,413.00	0.00	1,413.00
Payroll Expenses									0.00
Total Payroll Expenses									0.00
Professional Services									1,279.88
Accounting (Audit & Tax)									0.00
Check	10/20/2017	1085		Hinton Burdick		BBVA Checking	1,500.00		1,500.00
Total Accounting (Audit & Tax)							1,500.00	0.00	1,500.00
Bookkeeping									91.88
Check	10/03/2017	1084		Johanna Klomann C...		BBVA Checking	144.39		236.27
Total Bookkeeping							144.39	0.00	236.27
Contract Clerk & Treasurer									569.62
Check	10/05/2017	1089		Elizabeth Burke		BBVA Checking	300.00		869.62
Total Contract Clerk & Treasurer							300.00	0.00	869.62
Legal Counsel									618.38
Total Legal Counsel									618.38
Parking Development									0.00
Total Parking Development									0.00
Professional Services - Other									0.00
Total Professional Services - Other									0.00
Total Professional Services							1,944.39	0.00	3,224.27
Website									0.00
Total Website									0.00
Ask My Accountant									0.00
Total Ask My Accountant									0.00
No accnt									0.00
Total no accnt									0.00
TOTAL							203,041.36	203,041.36	0.00



Johanna Klomann, CPA, PLLC

ITEM 4-C

419 W Aspen Ave, Flagstaff, AZ 86001

(Office) [928-774-8995](tel:928-774-8995) (Fax) [866-706-1017](tel:866-706-1017) KlomannCPA.com

Flagstaff Downtown Business Improvement

Dear Board of Directors:

I have prepared the accompanying balance sheet of Flagstaff Downtown Business Improvement (a not for profit organization) as of November 30, 2017, as well as a Budget to Actual Income Statement and General Ledger in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. I have not audited, reviewed or compiled the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with U.S. generally accepted accounting principles.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared in accordance with U.S. generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the organization's assets, liabilities, net assets, revenue, and expenses. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Johanna Klomann, CPA
December 27, 2017

FDBIRD
Balance Sheet
As of November 30, 2017

	<u>Nov 30, 17</u>
ASSETS	
Current Assets	
Checking/Savings	
BBVA Checking	2,637.58
BBVA Money Mkt	88,178.88
Total Checking/Savings	<u>90,816.46</u>
Total Current Assets	<u>90,816.46</u>
TOTAL ASSETS	<u>90,816.46</u>
LIABILITIES & EQUITY	
Equity	
Unrestricted Net Assets	94,147.54
Net Income	-3,331.08
Total Equity	<u>90,816.46</u>
TOTAL LIABILITIES & EQUITY	<u>90,816.46</u>

FDBIRD
Budget to Actual Income Statement
 July through November 2017

	Jul - Nov 17	Budget	\$ Over Budget
Ordinary Income/Expense			
Income			
BID Prop. Tax Assess. May	55,264.00	66,003.00	-10,739.00
BID Prop. Tax Assess. Nov.	0.00	66,003.00	-66,003.00
Carry Forwards	0.00	93,591.00	-93,591.00
City of Flagstaff	0.00	10,852.00	-10,852.00
Coconino County	25,277.00	25,644.00	-367.00
Interest Earned	15.19	120.00	-104.81
Total Income	80,556.19	262,213.00	-181,656.81
Expense			
Contingency	0.00	20,000.00	-20,000.00
District Formation Expenses			
One Time Infrastructure Project	0.00	10,000.00	-10,000.00
Total District Formation Expenses	0.00	10,000.00	-10,000.00
Management Overhead	79,250.00	158,500.00	-79,250.00
Dues & Subscriptions	0.00	0.00	0.00
Insurance	1,413.00	0.00	1,413.00
Overhead - Other	0.00	6,715.00	-6,715.00
Total Overhead	1,413.00	6,715.00	-5,302.00
Professional Services			
Accounting (Audit & Tax)	1,500.00	0.00	1,500.00
Bookkeeping	236.27	0.00	236.27
Contract Clerk & Treasurer	869.62	0.00	869.62
Legal Counsel	618.38	0.00	618.38
Professional Services - Other	0.00	9,700.00	-9,700.00
Total Professional Services	3,224.27	9,700.00	-6,475.73
Total Expense	83,887.27	204,915.00	-121,027.73
Net Ordinary Income	-3,331.08	57,298.00	-60,629.08
Net Income	-3,331.08	57,298.00	-60,629.08

FDBIRD
General Ledger
As of November 30, 2017

Type	Date	Num	Adj	Name	Memo	Split	Debit	Credit	Balance
BBVA Checking									2,637.58
Total BBVA Checking									2,637.58
BBVA Money Mkt									54,983.44
Deposit	11/01/2017				Interest	Interest Earned	1.44		54,984.88
Deposit	11/15/2017				Deposit	BID Prop. Tax ...	33,194.00		88,178.88
Total BBVA Money Mkt							33,195.44	0.00	88,178.88
Accounts Receivable									0.00
Total Accounts Receivable									0.00
Undeposited Funds									0.00
Total Undeposited Funds									0.00
Furniture and Equipment									0.00
Total Furniture and Equipment									0.00
Marketable Securities									0.00
Total Marketable Securities									0.00
Other Assets									0.00
Total Other Assets									0.00
Security Deposits Asset									0.00
Total Security Deposits Asset									0.00
Accounts Payable									0.00
Total Accounts Payable									0.00
Payroll Liabilities									0.00
Total Payroll Liabilities									0.00
Other Liabilities									0.00
Total Other Liabilities									0.00
Opening Balance Equity									0.00
Total Opening Balance Equity									0.00
Perm. Restricted Net Assets									0.00
Total Perm. Restricted Net Assets									0.00
Temp. Restricted Net Assets									0.00
Total Temp. Restricted Net Assets									0.00
Unrestricted Net Assets									-94,147.54
Total Unrestricted Net Assets									-94,147.54
BID Prop. Tax Assess. May									-22,070.00
Deposit	11/15/2017				Deposit	BBVA Money Mkt		33,194.00	-55,264.00
Total BID Prop. Tax Assess. May							0.00	33,194.00	-55,264.00
BID Prop. Tax Assess. Nov.									0.00
Total BID Prop. Tax Assess. Nov.									0.00
Carry Forwards									0.00
Total Carry Forwards									0.00
City of Flagstaff									0.00
Total City of Flagstaff									0.00
Coconino County									-25,277.00
Total Coconino County									-25,277.00
Events									0.00
Total Events									0.00
Grants									0.00
Total Grants									0.00
Interest Earned									-13.75
Deposit	11/01/2017				Interest	BBVA Money Mkt		1.44	-15.19
Total Interest Earned							0.00	1.44	-15.19
Other Contributions									0.00
City of Flagstaff IGA									0.00
Total City of Flagstaff IGA									0.00
One Time Infrastructure Project									0.00
Total One Time Infrastructure Project									0.00
Other Contributions - Other									0.00
Total Other Contributions - Other									0.00
Total Other Contributions									0.00
Sponsorships									0.00
Total Sponsorships									0.00

4:52 PM

12/27/17

Accrual Basis

FDBIRD
General Ledger
 As of November 30, 2017

Type	Date	Num	Adj	Name	Memo	Split	Debit	Credit	Balance
Contingency									0.00
Total Contingency									0.00
District Formation Expenses									0.00
Election Expenses									0.00
Total Election Expenses									0.00
One Time Infrastructure Project									0.00
Total One Time Infrastructure Project									0.00
District Formation Expenses - Other									0.00
Total District Formation Expenses - Other									0.00
Total District Formation Expenses									0.00
Management									79,250.00
Total Management									79,250.00
Overhead									1,413.00
Dues & Subscriptions									0.00
Total Dues & Subscriptions									0.00
Insurance									1,413.00
Total Insurance									1,413.00
Overhead - Other									0.00
Total Overhead - Other									0.00
Total Overhead									1,413.00
Payroll Expenses									0.00
Total Payroll Expenses									0.00
Professional Services									3,224.27
Accounting (Audit & Tax)									1,500.00
Total Accounting (Audit & Tax)									1,500.00
Bookkeeping									236.27
Total Bookkeeping									236.27
Contract Clerk & Treasurer									869.62
Total Contract Clerk & Treasurer									869.62
Legal Counsel									618.38
Total Legal Counsel									618.38
Parking Development									0.00
Total Parking Development									0.00
Professional Services - Other									0.00
Total Professional Services - Other									0.00
Total Professional Services									3,224.27
Website									0.00
Total Website									0.00
Ask My Accountant									0.00
Total Ask My Accountant									0.00
No acct									0.00
Total no acct									0.00
TOTAL							<u>33,195.44</u>	<u>33,195.44</u>	<u>0.00</u>

**COCONINO COUNTY, ARIZONA
 FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT & REVITALIZATION DISTRICT
 ANNUAL REPORT
 YEAR ENDED JUNE 30, 2017**

STREET OR P.O. BOX: PO Box 1546
CITY: FLAGSTAFF, AZ **ZIP CODE:** 86002
BUSINESS TELEPHONE: 928-275-2655
COMPLETED BY: HINTONBURDICK, PLLC
TITLE: CPA

Part A—Governing Board Members and Officers of the District

Name	Occupation	Business Telephone
Dave Stilley	Commercial property/business owner	928-275-2655
Antoinette Beiser	Leadership Gifts Officer Lowell Observatory	928-275-2655
Karen Kinne-Herman	Development Associate KNAU	928-275-2655
John VanLandingham	Business Owner Old Town Shops, Mix, Bigfoot BBQ	928-275-2655
Steve Chatinsky	Business Owner Peace Surplus	928-275-2655
Tim Kinney	President and CEO Kinney Construction Services, Inc	928-275-2655
Elizabeth Burke	Clerk City of Flagstaff	928-275-2655
Brandi Suda	Finance Director City of Flagstaff	715-577-4037

**COCONINO COUNTY, ARIZONA
 FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT & REVITALIZATION DISTRICT
 ANNUAL REPORT
 YEAR ENDED JUNE 30, 2017**

**Part D—Schedule of Revenues, Expenditures, and Changes in Fund Balances
 (for governmental fund types)**

Basis of Accounting: Modified Accrual Cash

	GENERAL FUND	CAPITAL PROJECTS FUNDS	DEBT SERVICE FUNDS	FUNDS
Revenues				
Taxes				
Special assessments				
Licenses and permits				
Intergovernmental:				
Federal				
State				
County				
Charges for services				
Fines and forfeits				
Interest on investments	SEE	N/A	N/A	
Rents	ATTACHED			
Contributions	AUDIT			
Miscellaneous	REPORT			
Other revenues (itemize)				
Total Revenues				
Expenditures				
Salaries and wages				
Employee benefits				
Administration				
Professional services				
Utilities and communications				
Insurance				
Repairs and maintenance				
Interest				
Capital outlay:				
Land				
Buildings				
Improvements other than buildings				
Machinery and equipment				
Construction in progress				
Debt service:				
Principal retirement				
Interest and fiscal charges				
Miscellaneous				
Other expenditures (itemize)				
Total Expenditures				

**COCONINO COUNTY, ARIZONA
 FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT & REVITALIZATION DISTRICT
 ANNUAL REPORT
 YEAR ENDED JUNE 30, 2017**

Part D—(Concl'd)

	GENERAL FUND	CAPITAL PROJECTS FUNDS	DEBT SERVICE FUNDS	FUNDS
<u>Excess of Revenues Over (Under) Expenditures</u>	_____	_____	_____	_____
<u>Other Financing Sources (Uses)</u>				
Operating transfers-in	SEE	N/A	N/A	_____
Operating transfers-out	ATTACHED	_____	_____	_____
Proceeds from the sale of bonds	AUDIT	_____	_____	_____
Loan proceeds	REPORT	_____	_____	_____
Capital lease agreements	_____	_____	_____	_____
Total other financing sources (uses)	_____	_____	_____	_____
<u>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</u>	_____	_____	_____	_____
<u>Beginning Fund Balance—July 1, 2016</u>	_____	_____	_____	_____
<u>Ending Fund Balance—June 30, 2017</u>	=====	=====	=====	=====

COCONINO COUNTY, ARIZONA
FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT & REVITALIZATION DISTRICT
ANNUAL REPORT
YEAR ENDED JUNE 30, 2017

Part E—Schedule of Revenues, Expenses, and Changes in Retained Earnings/Fund Equity
(for proprietary and similar fund types)

Basis of Accounting: **Accrual**

Cash

	ENTERPRISE FUNDS	PENSION TRUST FUNDS	FUNDS
<u>Operating Revenues</u>			
Charges for services			
Employer contributions			
Employee contributions			
Investment income			
Miscellaneous			
Total Operating Revenues	N/A	N/A	
<u>Operating Expenses</u>			
Salaries and wages			
Employee benefits			
Administration			
Professional services			
Utilities and communications			
Insurance			
Repairs and maintenance			
Landfill closure and postclosure care costs			
Depreciation			
Benefits			
Refunds			
Miscellaneous			
Total Operating Expenses			
Operating income (loss)			
<u>Nonoperating Revenues (Expenses)</u>			
Intergovernmental			
Interest revenue			
Interest expense			
Gain (Loss) on disposal of fixed assets			
Total (Net) nonoperating revenues (expenses)			
Income (Loss) before operating transfers			
<u>Operating Transfers-In (Out)</u>			
Net income (loss)			
<u>Retained Earnings/Fund Equity—July 1, 2016</u>			
<u>Increase (Decrease) in Contributed Capital</u>			
<u>Retained Earnings/Fund Equity—June 30, 2017</u>			

September 7, 2017

To the Board of Directors
Flagstaff Downtown Business Improvement Redevelopment District
Flagstaff, Arizona

We have audited the financial statements of the governmental activities and each major fund of Flagstaff Downtown Business Improvement Redevelopment District for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2017. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the District's financial statements.

We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole. While the procedures used by management seem reasonable at this time, there will usually be differences between estimates and actual results and these differences may be material.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 7, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Very truly yours,



HintonBurdick Arizona, PLLC

FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT AND REVITALIZATION DISTRICT
FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT AND REVITALIZATION DISTRICT

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Independent Auditors' Report

To the Board of Directors of
Flagstaff Downtown Business Improvement and Revitalization District
Flagstaff, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Flagstaff Downtown Business Improvement and Revitalization District, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District'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.

Auditor's 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 of 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 auditor's 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 entity'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 entity'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 and each major fund of Flagstaff Downtown Business Improvement and Revitalization District, as of June 30, 2017, and the respective changes in financial position and the respective

budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2017 on our consideration of the Flagstaff Downtown Business Improvement and Revitalization District'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Flagstaff Downtown Business Improvement and Revitalization District's internal control over financial reporting and compliance.



HintonBurdick Arizona, PLLC
Flagstaff, Arizona
September 7, 2017

BOARD OF DIRECTORS

Dave Stilley	Chair
Elizabeth Burke	Clerk
Brandi Suda	Treasurer
Antoineete Beiser	Member
Karen Kinne-Herman	Member
John Van Landingham	Member
Steve Chatinsky	Member

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Flagstaff Downtown Business Improvement and Revitalization District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The District was created on February 4, 2014, and voters authorized the District Board to levy an ad valorem tax on June 4, 2014.
- Total assets exceed total liabilities (net position) by \$94,897 at the close of the fiscal year.
- Total net position decreased by \$14,542.
- Total revenues from all sources were \$168,644 and the total cost of all District programs was \$183,186.
- Total revenue received in the General Fund was \$1,288 greater than the final budget and expenditures were \$31,464 less than the final budget.
- At the end of the current fiscal year, assigned and unassigned fund balances for the General Fund were \$36,293 and \$58,604 respectively, which is a \$12,899 decrease in total fund balance from fiscal year 2016's balances of \$45,651 and \$62,145.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the District as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements. (3) Notes to the financial statements.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the District's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District'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 related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the District’s basic services are considered to be governmental activities. Property taxes and Contributions from other governments finance most of this activity.
- Proprietary activities/Business type activities – The District currently does not maintain any proprietary activities; all activities are accounted for as governmental activities.

Reporting the District’s Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. The District’s major fund uses the accounting approaches as explained below.

- Governmental funds – All of the District’s basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District’s general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. The District’s combined assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$94,897 as of June 30, 2017 as shown on the following condensed statement of net position.

	Governmental activities	
	6/30/2017	6/30/2016
Current and other assets	\$ 95,973	\$ 111,779
Total assets	<u>95,973</u>	<u>111,779</u>
Other liabilities	1,076	2,340
Total liabilities	<u>1,076</u>	<u>2,340</u>
Net position:		
Unrestricted	94,897	109,439
Total net position	<u>\$ 94,897</u>	<u>\$ 109,439</u>

Governmental Activities

The cost of all Governmental activities this year was \$183,186. General Revenues, including property taxes, intergovernmental revenues, and investment earnings totaled \$168,644.

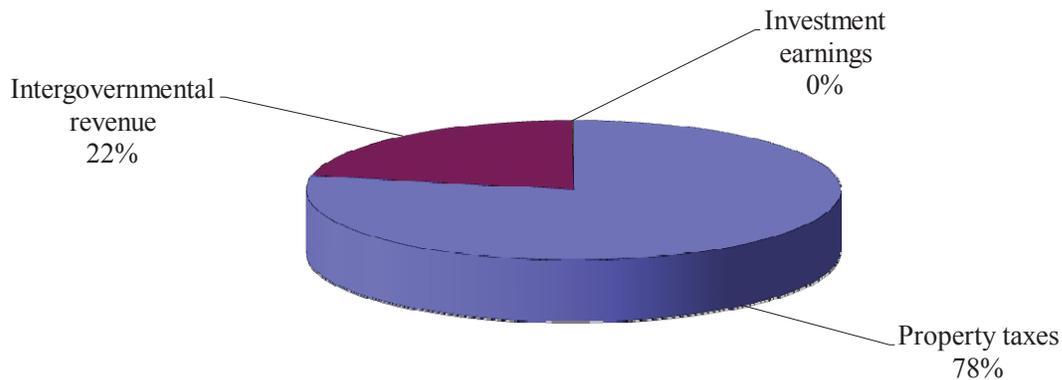
The District’s programs include: General Government. Each program’s revenues and expenses are presented below.

	Governmental activities	
	6/30/2017	6/30/2016
Revenues:		
General revenues:		
Property taxes	\$ 131,906	\$ 127,367
Intergovernmental revenue	36,619	40,931
Unrestricted interest earnings	119	798
Total revenues	<u>168,644</u>	<u>169,096</u>
Expenses:		
General Government	<u>183,186</u>	<u>170,643</u>
Total expenses	<u>183,186</u>	<u>170,643</u>
Increase/(decrease) in net position	(14,542)	(1,547)
Net position, beginning	<u>109,439</u>	<u>110,986</u>
Net position, ending	<u>\$ 94,897</u>	<u>\$ 109,439</u>

Total resources available during the year to finance governmental operations were \$278,083 consisting of net position at July 1, 2017 of \$109,439 and general revenues of \$168,644. Total Governmental Activities expenses during the year were \$183,186; thus Governmental Net Position decreased by \$14,542 to \$94,897.

The following graph provides a breakdown of revenues by source for all government activities.

Revenue By Source - Governmental Activities



General Fund Budgetary Highlights

The final appropriations for the General Fund at year-end were \$31,464 more than actual expenditures. Actual revenues were greater than the final budget by \$1,288.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the District are those assets that are used in performance of District functions, such as vehicles and equipment. At the end of fiscal year 2017, net capital assets of the government activities totaled \$0. Therefore, no depreciation on capital assets is recognized in the Government-Wide financial statements. (See notes to the financial statements.)

Debt

At year end, the District had no debt.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the District Budget for fiscal year 2018, the District Board and management were cautious as to the growth of revenues and expenditures. Overall General Fund operating expenditures were budgeted so as to contain costs at the same level as fiscal year 2017.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brandi Suda, District Treasurer PO Box 1546 Flagstaff, Arizona 86002 or call (715)577-4037.

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BASIC FINANCIAL STATEMENTS

**FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT
AND REVITALIZATION DISTRICT**
Statement of Net Position
June 30, 2017

	Governmental Activities	Total
Assets		
Cash and cash equivalents	\$ 94,056	\$ 94,056
Receivables	1,917	1,917
Total assets	95,973	95,973
Liabilities		
Accounts payable and other current liabilities	1,076	1,076
Total liabilities	1,076	1,076
Net Position		
Unrestricted	94,897	94,897
Total net position	\$ 94,897	\$ 94,897

The accompanying notes are an integral part of the financial statements.

**FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT
AND REVITALIZATION DISTRICT**
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Governmental Activities
Expenses:	
General Government	\$ 183,186
Total program expenses	183,186
 General revenues	
Property taxes	131,906
Intergovernmental revenue	36,619
Unrestricted interest earnings	119
Total general revenues	168,644
Change in net position	(14,542)
Net position - beginning	109,439
Net position - ending	\$ 94,897

The accompanying notes are an integral part of the financial statements.

**FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT
AND REVITALIZATION DISTRICT**

**Balance Sheet
Governmental Funds
June 30, 2017**

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
Assets		
Cash	\$ 94,056	\$ 94,056
Taxes receivable	1,917	1,917
Total assets	<u> 95,973</u>	<u> 95,973</u>
Liabilities		
Accounts payable	<u> 1,076</u>	<u> 1,076</u>
Total liabilities	<u> 1,076</u>	<u> 1,076</u>
Fund balances		
Assigned	36,293	36,293
Unassigned	<u> 58,604</u>	<u> 58,604</u>
Total fund balances	<u> 94,897</u>	<u> 94,897</u>
Total liabilities, deferred inflows of resources, and fund balances	<u> \$ 95,973</u>	
Net position of governmental activities		<u> \$ 94,897</u>

The accompanying notes are an integral part of the financial statements.

**FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT
AND REVITALIZATION DISTRICT**
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General Fund	Total Governmental Funds
Revenues:		
Property taxes	\$ 133,549	\$ 133,549
Intergovernmental revenue	36,619	36,619
Interest income	119	119
Total revenues	170,287	170,287
Expenditures:		
Current:		
Administrative services	158,500	158,500
Overhead	1,759	1,759
Professional services	15,927	15,927
District formation services	7,000	7,000
Total expenditures	183,186	183,186
Excess of revenues over(under) expenditures	(12,899)	(12,899)
Net change in fund balances	(12,899)	(12,899)
Fund balances - beginning	107,796	107,796
Fund balances - ending	\$ 94,897	\$ 94,897
Net change in fund balances - total governmental funds		\$ (12,899)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in unavailable revenue - property taxes.		(1,643)
Change in net position of governmental activities		\$ (14,542)

The accompanying notes are an integral part of the financial statements.

**FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT
AND REVITALIZATION DISTRICT**
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund – Budget and Actual
For the Fiscal Year Ended June 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 131,900	\$ 131,900	\$ 133,549	\$ 1,649
Intergovernmental revenue	36,599	36,599	36,619	20
Interest income	500	500	119	(381)
Total revenues	<u>168,999</u>	<u>168,999</u>	<u>170,287</u>	<u>1,288</u>
Expenditures:				
Current:				
Administrative services	158,500	158,500	158,500	-
Overhead	6,150	6,150	1,759	4,391
Professional services	13,000	13,000	15,927	(2,927)
District formation services	17,000	17,000	7,000	10,000
Contingency	20,000	20,000	-	20,000
Total expenditures	<u>214,650</u>	<u>214,650</u>	<u>183,186</u>	<u>31,464</u>
Excess of revenues over(under) expenditures	<u>(45,651)</u>	<u>(45,651)</u>	<u>(12,899)</u>	<u>32,752</u>
Net change in fund balances	(45,651)	(45,651)	(12,899)	32,752
Fund balances - beginning	<u>102,182</u>	<u>102,182</u>	<u>107,796</u>	<u>5,614</u>
Fund balances - ending	<u>\$ 56,531</u>	<u>\$ 56,531</u>	<u>\$ 94,897</u>	<u>\$ 38,366</u>

The accompanying notes are an integral part of the financial statements.

**FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT
AND REVITALIZATION DISTRICT**
Notes to the Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting entity

The Flagstaff Downtown Business Improvement and Revitalization District (the District) was organized on February 4, 2014 as a Special Improvement District pursuant to the provisions of Chapter 4 of Title 48 of the Arizona Revised Statutes – Revitalization Districts, which sets forth the legal framework for a business improvement district. The District provides improvements to the Flagstaff downtown area. The main focus of the District is to improve the look and feel of downtown Flagstaff which will result in significant returns on investments for downtown businesses and property values. The District is supported primarily through property taxes collected through Coconino County.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

Basis of presentation – fund financial statements

The fund financial statements provide information about the government’s funds. The emphasis of the District’s fund financial statements is on major governmental funds, each is displayed in a separate column. Currently the District has only one fund, the General Fund.

The District reports the following major governmental funds:

The **General Fund** is the government’s primary operating fund. It accounts for all financial resources of the general government.

The District does not have any other funds.

**FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT
AND REVITALIZATION DISTRICT**
Notes to the Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 recognized 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 reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, cash equivalents, and investments

Cash includes cash on hand and demand deposits with banks. The District has no investments for the year ended June 30, 2017 and has not established a specific investment policy but follows the State of Arizona's statutory requirements.

**FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT
AND REVITALIZATION DISTRICT**
Notes to the Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Inventories and prepaid items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Also, the District's inventory of materials and supplies is deemed to be immaterial; thus, no provision for inventory has been made in these financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased.

Capital assets

If in the future, the District acquires capital assets, the Capital assets will be reported in the governmental activities column in the government-wide statement of net position. The District has not established a policy specifying a capitalization threshold. It reviews expenditures for assets of significant cost with an estimated useful life of two or more years. In accordance with generally accepted accounting principles, capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 assets lives are not capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method. As of June 30, 2016 the District had not made any capital expenditures and no capital assets had been donated to the District. The District does not foresee acquiring any capital assets in the near future.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government currently has no items which qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT
AND REVITALIZATION DISTRICT**
Notes to the Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The governing board (board) has by resolution authorized the board chairman to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT
AND REVITALIZATION DISTRICT**
Notes to the Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid.

The County levies real property taxes on or before the third Monday in August, which become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. The County also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days thereafter. A lien against real and personal property assessed attaches on the first day of January preceding the assessment and levy thereof.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT
AND REVITALIZATION DISTRICT**
Notes to the Financial Statements
June 30, 2017

Note 2. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

Annual budgets are prepared and adopted by resolution by the Board on or before July 15th for the same fiscal year in accordance with State law. Prior to adoption of the budget, a public hearing is conducted to obtain taxpayer input. The budget includes proposed expenditures and the proposed sources of financing for such expenditures and is adopted on a basis consistent with generally accepted accounting principles using the modified accrual basis of accounting. Budgets are adopted and control of budget appropriations are exercised under State law, at the department level. Budgeted amounts may be transferred between line items; however, any revisions that alter the total expenditures of any fund must be approved by the District Board. Budget amendments are required to increase a department's expenditure budgets. Expenditures may not legally exceed budgeted appropriations at the total activity level.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

Note 3. Deposits and Investments

Deposits of the District at June 30, 2017 consist of the following:

Deposits:	
Cash on deposit with the BBVA Compass	\$ 94,056
Total Deposits	<u>\$ 94,056</u>

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of June 30, 2017, none of the District's deposit balance of \$94,148 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT
AND REVITALIZATION DISTRICT**
Notes to the Financial Statements
June 30, 2017

Note 3. Deposits and Investments (Continued)

Investments

The District follows the State of Arizona statutory requirements for the investment of funds in time certificates of deposit with federally insured depositories, investment in the county treasurer's pool, and other investments as allowed. Eligible Arizona depositories as defined by state statutes are any commercial bank or savings and loan association with its principal place of business in the state of Arizona, which are insured by the federal deposit insurance corporation, or any other insuring instrumentality of the United States. The District had no investments as of June 30, 2017.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the state statutes which define allowable investments.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing exposure to credit risk is to comply with the state statutes which define allowable investments.

Note 4. Risk Management

The District is exposed to various risks of loss related to torts and theft. The District has assessed its risk and acquired insurance to mitigate these risks. The District had no settlements exceeding insurance coverage during the past fiscal year.

Note 5. Commitments

Intergovernmental Agreement

On May 6, 2014, the District entered into an agreement with the City of Flagstaff Arizona for ongoing day to day District management services, provide and implement comprehensive long range planning for the District, develop and implement the organizational needs of the District, and other management services beginning on May 6, 2014. The agreement calls for a fee of \$127,000, which is paid by the City to the District. The agreement will expire on May 6, 2024 unless terminated sooner by either party with 180 days written notice.

**FLAGSTAFF DOWNTOWN BUSINESS IMPROVEMENT
AND REVITALIZATION DISTRICT**
Notes to the Financial Statements
June 30, 2017

Note 5. Commitments (Continued)

Management Services Agreement

On September 22, 2014, the District entered into an agreement with the Flagstaff Downtown Business Alliance for management services. The agreement includes budget and finance services, management and operation services, management of public infrastructure improvement, and heritage square plaza recommendations. The agreement is effective from the date of the agreement for five years unless terminated by the District without cause upon 90 days written notice. The annual fee is \$158,500 to be paid in installments.

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and other
Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of
Flagstaff Downtown Business Improvement and Revitalization District
Flagstaff, Arizona

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Flagstaff Downtown Business Improvement and Revitalization District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Flagstaff Downtown Business Improvement and Revitalization District's basic financial statements, and have issued our report thereon dated September 7, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Flagstaff Downtown Business Improvement and Revitalization District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Flagstaff Downtown Business Improvement and Revitalization District's internal control. Accordingly, we do not express an opinion on the effectiveness of Flagstaff Downtown Business Improvement and Revitalization District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Flagstaff Downtown Business Improvement and Revitalization District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "HintonBurdick Arizona PLLC". The signature is written in a cursive, flowing style.

HintonBurdick Arizona, PLLC
Flagstaff, Arizona
September 7, 2017