PRELIMINARY OFFICIAL STATEMENT DATED _______________, 2014

NEW ISSUE – BOOK ENTRY ONLY **RATINGS: See "Ratings" herein**

In the opinion of Bond Counsel, assuming compliance with certain tax covenants, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions. Interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. See "TAX MATTERS" herein for a description of certain other federal tax consequences of ownership of the Bonds. Bond Counsel is further of the opinion that the interest on the Bonds will be exempt from income taxation under the laws of the State of Arizona. See also "TAX MATTERS - Original Issue Discount and Original Issue Premium" herein.

$_______________*
CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION BONDS
SERIES 2014A

$_______________*
CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2014B

Dated: Date of Initial Delivery **Due: July 1, as shown on the inside front cover page**

The General Obligation Bonds, Series 2014A (the "New Money Bonds") and General Obligation Refunding Bonds, Series 2014B (the "Refunding Bonds" and, together with the New Money Bonds, the "Bonds") of the City of Flagstaff, Arizona (the "City"), will be available in book-entry-only form through the book-entry system of The Depository Trust Company ("DTC") only through DTC participants in amounts of $5,000 of principal of the applicable series due on a specific maturity date or integral multiples thereof. Purchasers will not receive certificates representing their beneficial interest in the Bonds. Utilization of the book-entry-only system will affect the method and timing of payment and the method of transfer of beneficial interest in the Bonds. The City will make all payments of principal and interest to DTC or its nominee, when due. DTC will be responsible for distributing the principal and interest payments to its direct and indirect participants who will, in turn, be responsible for distribution to the purchasers of beneficial interests in the Bonds (the "Beneficial Owners"). All references herein to owners of the Bonds (except those under the heading "TAX MATTERS") will refer to DTC and not the Beneficial Owners. See Appendix E – "Book-Entry-Only System".

The Bonds will mature on the dates, in the amounts and will bear interest at the rates set forth on the inside front cover page. Interest on the Bonds will accrue from the dated date of the Bonds and will be paid to the owners of the Bonds semiannually on January 1 and July 1 of each year, commencing January 1, 2015*.

The Bonds will be subject to redemption prior to maturity as described herein.*

The New Money Bonds are being issued for the purpose of providing funds to make certain improvements within the City and to pay costs relating to the issuance of the New Money Bonds. The Refunding Bonds are being issued to provide funds to refund certain outstanding general obligation bonds of the City (the "Bonds Being Refunded") and to pay costs relating to the issuance of the Refunding Bonds.

MATURITY SCHEDULE AND ADDITIONAL INFORMATION ON INSIDE FRONT COVER PAGE

The Bonds will be payable as to both principal and interest from *ad valorem* taxes levied against all taxable property within the boundaries of the City as more fully described herein, without limitation as to rate or amount with respect to the New Money Bonds and without limitation as to rate for the Refunding Bonds but with the limitation that the total aggregate of taxes levied to pay principal of and interest on the Refunding Bonds in aggregate shall not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded from the date of issuance of the Refunding Bonds to the final date of maturity of the Bonds Being Refunded. The issuance of the Refunding Bonds will in no way infringe upon the rights of the owners of the Bonds Being Refunded to rely upon a tax levy for payment of the principal and interest on the Bonds Being Refunded to pay when due, or called for redemption, the Bonds Being Refunded, together with interest thereon and with other funds legally available for such purposes deposited in the Trust (as defined herein) and held for the payment of the Bonds Being Refunded prove insufficient. The owners of the Refunding Bonds must rely on the sufficiency of the funds held for payment of the Bonds Being Refunded. See "THE BONDS– Security and Source of Payment" and "PLAN OF REFUNDING."

This cover page contains only a brief description of the Bonds and the security therefor. It is not a summary of all material information with respect to the Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Bonds.

The Bonds are offered when, as and if issued, subject to the approving opinion of Greenberg Traurig, LLP, Phoenix, Arizona, Bond Counsel, as to validity and tax exemption. Certain matters will be passed upon for the Underwriter by Squire Sanders (US) LLP, Phoenix, Arizona. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about _______________, 2014.*

RBC CAPITAL MARKETS

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* Preliminary, subject to change.

$___________*

CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION BONDS
SERIES 2014A

Maturity Schedule*

Due July 1	Principal Amount	Interest Rate	Yield	CUSIP[(a)] 338423
2014	$	%	%	
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				

$____________________*

CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2014B

Maturity Schedule*

Due July 1	Principal Amount	Interest Rate	Yield	CUSIP[(a)] 338423
2014	$	%	%	
2015				
2016				
2017				
2018				
2019				
2020				
2021				

[(a)] Copyright 2014, American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. CUSIP numbers are provided for information only. None of the City, the Underwriter or their counsel take responsibility for the accuracy of such numbers.

* Preliminary, subject to change.

CITY OF FLAGSTAFF, ARIZONA

CITY COUNCIL

Jerry Nabours
Mayor

Coral Evans, *Vice Mayor*

Karla Brewster, *Member*

Scott Overton, *Member*

Celia Barotz, *Member*

Jeff Oravits, *Member*

Mark Woodson, *Member*

ADMINISTRATIVE OFFICIALS

Kevin Burke
City Manager

Josh Copley
Deputy City Manager

Barbara Goodrich
Management Services Director

Jerene Watson
Deputy City Manager

Michelle D'Andrea
City Attorney

Elizabeth Burke
City Clerk

BOND COUNSEL

Greenberg Traurig, LLP
Phoenix, Arizona

BOND REGISTRAR, PAYING AGENT AND ESCROW TRUSTEE

The Bank of New York Mellon Trust Company, N.A.

Los Angeles, California

This Official Statement, which includes the cover page, inside front cover page and Appendices hereto, does not constitute an offering of any security other than the original offering of the Bonds identified on the inside front cover page hereof. No dealer, broker, salesperson or other person has been authorized by the City of Flagstaff, Arizona (the "City") or RBC Capital Markets, LLC (the "Underwriter") to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

The issuance and sale of the Bonds have not been registered under the federal Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Section 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities; nor has the issue been qualified under the Securities Act of Arizona, in reliance upon various exemptions in such Act. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information contained in this Official Statement has been obtained from the City and other sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a promise by, any of the foregoing. The presentation of such information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representations of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. All forecasts, projections, assumptions, opinions or estimates are "forward looking statements," which must be read with an abundance of caution and which may not be realized or may not occur in the future. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the City since the date hereof.

A wide variety of other information, including financial information, concerning the City is available from publications and websites of the City and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of, or incorporated into, this Official Statement, except as expressly noted herein.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM THE INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS, AND THE UNDERWRITER MAY OVERALLOT OR ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET IN ORDER TO FACILITATE THEIR DISTRIBUTION. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The information contained herein in Appendix E – "Book-Entry-Only System" has been furnished by The Depository Trust Company, and no representation has been made by the City or the Underwriter, or any of their counsel or agents, as to the accuracy or completeness of such information.

The City has undertaken to provide continuing disclosure with respect to the Bonds as required by Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE" and Appendix C – "Form of Continuing Disclosure Undertaking" herein.

TABLE OF CONTENTS

$______________________*
CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION BONDS
SERIES 2014A

$__________________*
CITY OF FLAGSTAFF, ARIZONA
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2014B

INTRODUCTION

This Official Statement, which includes the cover page, inside front cover page and Appendices hereto, sets forth information concerning the offering by the City of Flagstaff, Arizona (the "City") of its General Obligation Bonds, Series 2014A in the aggregate principal amount of $__________* (the "New Money Bonds") and General Obligation Refunding Bonds, Series 2014B (the "Refunding Bonds" and, together with the New Money Bonds, the "Bonds"). See Appendix A and Appendix D for certain information regarding the City.

Reference to provisions of State of Arizona (the "State" or "Arizona") law, whether codified in the Arizona Revised Statutes or uncodified, or of the Arizona Constitution, are references to those current provisions. The provisions may be amended, repealed or supplemented.

THE BONDS

Authorization and Use of Funds

The New Money Bonds are being issued by the City pursuant to Title 35, Chapter 3, Article 3 of the Arizona Revised Statutes, and an ordinance adopted by the Mayor and Council of the City on January 21, 2014* (the "Ordinance"). The New Money Bonds will constitute a portion of the bonds authorized by the voters at special bond elections held in the City on November 5, 1996, May 18, 2004 and November 6, 2012, and will be issued for the following purposes (collectively, the "Projects") and to pay costs of issuance of the New Money Bonds:

(i)	$1,100,000	Parks & Recreational Facilities
(ii)	$2,200,000	Open Space/Flagstaff Urban Trail System
(iii)	$5,500,000	Observatory Mesa Land Acquisition
(iv)	[$14,000,000]	Core Services Maintenance Facility (Public Works)

The Refunding Bonds will be issued by the City pursuant to Title 35, Chapter 3, Article 4 of the Arizona Revised Statutes and the Ordinance to refund certain outstanding general obligation bonds of the City as described herein under "PLAN OF REFUNDING" (the "Bonds Being Refunded") and to pay costs of issuance of the Refunding Bonds.

Proceeds from the Refunding Bonds will be used (1) to establish an irrevocable trust of moneys and obligations issued by the United States of America (the "Government Obligations") which will provide funds to pay, when due, principal of and interest on the Bonds Being Refunded. The moneys and the Government Obligations will be held in an irrevocable trust (the "Trust") for the owners of the Bonds Being Refunded with The Bank of New York Mellon Trust Company, N.A. (the "Escrow Trustee").

General Description

The Bonds will be available in book-entry-only form through the book entry system of The Depository Trust Company, New York, New York ("DTC"). Beneficial ownership interests in the Bonds may be purchased through direct and indirect participants of DTC in amounts of $5,000 of principal of the applicable series due on a specific maturity date or integral multiples thereof. See Appendix E – "Book-Entry-Only System." The Bonds will mature on the dates and in the principal amounts set forth on the inside front cover page of this Official Statement. The Bonds will bear interest from their dated date to their stated maturity or earlier redemption at the rates set forth on such inside front cover page, payable semiannually on January 1 and July 1 (each an "Interest Payment Date") of each year, commencing January 1, 2015*.

* Preliminary, subject to change.

Security and Source of Payment

The New Money Bonds will be direct, general obligations of the City, payable as to principal and interest from *ad valorem* taxes to be levied on all taxable property within the City without limitation as to rate or amount.

The Refunding Bonds will be direct, general obligations of the City, payable as to the principal and interest from ad valorem taxes to be levied against all taxable property within the City without limited as to rate, but limited, by statutory provision, to a total amount not greater than the aggregate amount of principal and interest which will become due on the Bonds Being Refunded from the date of issuance of the Refunding Bonds to the final maturity of the Bonds Being Refunded and subject to the prior rights vested in the owners of the Bonds Being Refunded to payment of the Bonds Being Refunded from the same ad valorem taxes in the event of a deficiency in the moneys and Government Obligations held in the Trust for the purposes of paying principal of and interest on the Bonds Being Refunded. See "PLAN OF REFUNDING."

The owners of the Refunding Bonds will rely upon the sufficiency of the amounts in the Trust for the payment of principal of and interest on the Bonds Being Refunded. The issuance of the Refunding Bonds will in no way infringe upon the rights of the owners of the Bonds Being Refunded to rely upon a tax levy for the payment of principal of and interest on the Bonds Being Refunded if such amounts in such Trust prove insufficient.

The City has paid and may continue to pay the debt service requirements on certain general obligation bonds from water and sewer system revenues which remain after payment of operation and maintenance expenses of the system and revenue bond debt service as indicated in Table 10. In the event that these net revenues should prove insufficient, or should the City decide not to pay such debt from such net revenues, such indebtedness would then be paid from such ad valorem property taxes. [CITY TO CONFIRM]

After the sale and delivery of the New Money Bonds, the City will have $__________* principal amount of authorized but unissued general obligation bonds remaining. Additional general obligation bonds may be authorized at future bond elections in the City. General obligation bonds heretofore and hereafter issued by the City have and will have an equal claim with the Bonds upon the proceeds of taxes levied for debt service on the Bonds. See "FINANCIAL INFORMATION – General Obligation Bonded Debt Outstanding" in Appendix A.

Redemption Provisions*

Optional Redemption. The Bonds maturing on and prior to July 1, 20__ will not be subject to redemption prior to their stated maturity dates. The Bonds maturing on and after July 1, 20__ will be subject to optional redemption prior to their stated maturity dates, at the direction of the City, in whole or in part in denominations of $5,000 or integral multiples thereof from maturities selected by the City, on July 1, 20__ and on any date thereafter, at a redemption price equal to the principal amount of Bonds being redeemed plus accrued interest to the date fixed for redemption, without premium.

Mandatory Redemption. The Bonds maturing on July 1, 20__ ("Term Bonds") will be subject to mandatory redemption on July 1 of each of the years, by lot as described below, at the principal amounts thereof and accrued interest to the date fixed for redemption, without premium, as follows:

Term Bonds Maturing on July 1, 20__

Year	Principal Amount
	$

At the option of the City, whenever Term Bonds are purchased, redeemed (other than pursuant to the foregoing scheduled mandatory redemption for such Term Bonds) or delivered by the City to The Bank of New

* Preliminary, subject to change.

York Mellon Trust Company, N.A. (the "Bond Registrar and Paying Agent") for cancellation, the principal amount of the Term Bonds so retired will satisfy and be credited against the mandatory redemption requirements for such Term Bonds in such manner as the City determines; provided, however, that following such reduction, each mandatory redemption requirement for such Term Bonds is an integral multiple of $5,000 of principal.

Notice of Redemption. Notice of Redemption of any Bond will be provided to DTC no fewer than thirty (30) nor more than sixty (60) days prior to the date set for redemption.

PLAN OF REFUNDING*

General

The net proceeds from the sale of the Refunding Bonds, after payment of the costs relating to the issuance of the Refunding Bonds, will be placed in the Trust with the Escrow Trustee pursuant to the terms of an Escrow Trust Agreement to be dated _______, 1, 2014*, between the City and the Escrow Trustee, to be applied to the payment of the Bonds Being Refunded as identified below. To the extent the moneys and the Government Obligations held in the Trust are not sufficient to pay, when due, the principal of and interest on the Bonds Being Refunded, then the ad valorem taxes levied to pay debt service on the Refunding Bonds will be subject to the prior right of the owners of the Bonds Being Refunded to payment of such tax levy. See "THE BONDS – Security and Source of Payment" and "VERIFICATION OF MATHEMATICAL COMPUTATIONS.

Bonds Being Refunded

Amounts held in the Trust will be used to refund the Bonds Being Refunded as shown below:

Issue Date	Original Principal Amount	Maturity Date(s) to be Refunded	Principal Amount Being Refunded	Redemption Date
Series 2006				
04/06/2006	$1,890,000	07/01/2017	$1,890,000	07/01/2016
04/06/2006	1,980,000	07/01/2018	1,980,000	07/01/2016
04/06/2006	2,070,000	07/01/2019	2,070,000	07/01/2016
04/06/2006	2,160,000	07/01/2020	2,160,000	07/01/2016
04/06/2006	2,250,000	07/01/2021	2,250,000	07/01/2016

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by RBC Capital Markets, LLC (the "Underwriter"), on behalf of the City, relating to (i) the sufficiency of the anticipated receipts from the Government Obligations, together with the initial cash deposit, to pay, when redeemed, the principal of and interest on the Bonds Being Refunded and (ii) the computation of the yield on the Bonds and the Government Obligations has been examined by Grant Thornton LLP (the "Verification Agent").

Such computations were based solely upon assumptions and information supplied by the Underwriter. The Verification Agent has restricted its procedures to examining the arithmetical accuracy of such computations, has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the ability to achieve the forecasted outcome.

* Preliminary, subject to change.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be applied as follows:

	New Money Bonds	Refunding Bonds	Total
Sources:			
Par Amount of Bonds			
[Net] Original Issue Premium (Discount)			
Total			
Uses:			
Costs of Projects			
Deposit to Trust			
Deposit to Interest Fund*			
Payment of Issuance Expenses (Including Underwriter's Discount)			
Total			

* Reflects [net] premium from sale of the Bonds that Arizona law requires to be deposited to the Interest Fund.

LITIGATION

[TO BE UPDATED BY CITY]

To the knowledge of the City, no litigation or administrative action or proceeding is pending, restraining or enjoining, or seeking to restrain or enjoin, the issuance or delivery of the Bonds or the levy, collection or receipt of ad valorem property taxes to pay the debt service on the Bonds, contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds. An authorized City representative will deliver a certificate to the same effect at the time of the original delivery of the Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, sale and issuance by the City of the Bonds and with regard to the tax-exempt status thereof will be passed upon by Greenberg Traurig, LLP, Phoenix, Arizona, as Bond Counsel. The form of that opinion is included as Appendix B hereto.

While Bond Counsel has participated in the preparation of portions of this Official Statement, it has not been engaged to confirm or verify, and expresses and will express no opinion as to, the accuracy, completeness or fairness of any statements in this Official Statement, or in any other reports, financial information, offering or disclosure documents or other information pertaining to the City or the Bonds that may be prepared or made available by the City or others to the bidders for or holders of the Bonds or others.

Certain legal matters will be passed upon for the Underwriter by Squire Sanders (US) LLP.

From time to time, there are legislative proposals (and interpretations of such proposals by courts of law and other entities and individuals) which, if enacted, could alter or amend the property tax system of the State and numerous matters, both financial and nonfinancial, impacting the operations of municipalities which could have a material impact on the City and could adversely affect the secondary market value or marketability of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

The legal opinions to be delivered concurrently with the delivery of the Bonds will express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein dated and speaking only as of the date of delivery of the Bonds. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

General

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the City must continue to meet with respect to the Bonds after the issuance thereof in order that the interest of the Bonds not be included in gross income for federal income tax purposes. The failure by the City to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The City has covenanted in the Ordinance to take the actions required by the Code in order to maintain the exclusion from federal gross income of interest on the Bonds.

In the opinion of Bond Counsel rendered with respect to the Bonds on the date of issuance of the Bonds, assuming continuing compliance by the City with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, interest on the Bonds will be excludable from gross income for federal income tax purposes. Interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed in individuals and corporations; however, interest on the Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. Bond Counsel is further of the opinion that the interest on the Bonds will be exempt from taxation under the laws of the State of Arizona.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on or disposition of the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of the Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest in indebtedness incurred to continue to purchase or carry the Bonds or, in the case of a financial institution, that portion of an owner's interest expense allocable to interest on a Bond; (ii) the reduction of the loss reserve deduction for property or casualty insurance companies by fifteen percent (15%) of certain items, including interest on the Bonds; (iii) the inclusion of interest on the Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of the branch profits tax; (iv) the inclusion of interest on the Bonds in passive investment income subject to federal income of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year and (v) the inclusion in gross income of interest on the Bonds by recipients of certain Social Security and Railroad Retirement benefits.

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress that, if enacted into law, could alter or amend one or more of the federal tax matters described above including, without limitation, the excludability from gross income of interest on the Bonds, adversely affect the market price or marketability of the Bonds, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would apply to the Bonds. If enacted into law, such legislative proposals could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their tax advisors as to the impact of any proposed or pending legislation.

Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinion is not a guarantee of a particular result, and is not binding on the Internal Revenue Service or the courts; rather, such opinion represents Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

Information Reporting and Backup Withholding

Interest paid on bonds such as the Bonds is subject to information reporting to the Internal Revenue Service. This reporting requirement does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Bonds, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Bonds and proceeds from the sale of Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Bonds. This withholding generally applies if the owner of Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Original Issue Discount and Original Issue Premium

Certain of the Bonds as indicated on the inside front cover page of this Official Statement ("Discount Bonds"), were offered and will be sold to the public at an original issue discount ("Original Issue Discount"). Original Issue Discount is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Bond. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity will be sold pursuant to that offering. For federal income tax purposes, Original Issue Discount accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of Original Issue Discount that accrues during the period of ownership of a Discount Bond (i) will be interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Bonds, and (ii) will be added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the inside front cover page of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Certain of the Bonds as indicated on the inside front cover page of this Official Statement ("Premium Bonds"), were offered and will be sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity in the case of the "Noncallable Premium Bonds" or their earlier call date in the case of the "Callable Premium Bonds." The difference between the principal amount payable at maturity of the Noncallable Premium Bonds and the tax basis of a Noncallable Premium Bond to a purchaser and the difference between the amount payable at the call date of the Callable Premium Bonds that minimizes the yield to a purchaser of a Callable Premium Bond and the tax basis to the purchaser (in either case, other than a purchaser who holds a Premium Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) will be "bond premium." For federal income tax purposes, bond premium is amortized over the period to maturity of a Noncallable Premium Bond. A purchaser of a Premium Bond will be required to decrease his or her adjusted basis in the Premium Bond by the amount of amortizable bond premium attributable to each taxable year he or she holds the Premium Bond. The amount of amortizable bond premium attributable to each taxable year will be determined at a constant interest rate compounded actuarially. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond.

Owners of Discount Bonds and Premium Bonds should consult their own tax advisors as to the determination for federal income tax purposes of the amount of Original Issue Discount or bond premium properly accruable in any period with respect to the Discount Bonds or the Premium Bonds and as to other federal tax consequences, and the treatment of Original Issue Discount and bond premium for purposes of state and local taxes on, or based on, income.

RATINGS

Standard and Poor's Financial Services LLC ("S&P") and Moody's Investors Service, Inc. ("Moody's") have assigned the ratings of "__" and "___," respectively, to the Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: S&P, 55 Water Street, New York, New York 10041 and Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price or the marketability of the Bonds.

UNDERWRITING

The Underwriter has agreed to purchase the Bonds, subject to certain conditions, at a purchase price of $____________. If the Bonds are sold to produce the yields shown on the inside front cover page hereof, the Underwriter's compensation will be $_________. The Bonds may be offered and sold to certain dealers (including the Underwriter and other dealers depositing the Bonds into investment trusts) at prices lower than the public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter. The Underwriter's obligations are subject to certain conditions precedent, and the Underwriter will be obligated to purchase all of the Bonds if any of the Bonds are purchased.

CONTINUING DISCLOSURE

The City will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the City by not later than the first business day of February in each year commencing February 1, 2015 (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events (the "Notices"), as set forth in Appendix C. The Annual Reports and the Notices and any other documentation or information required to be filed by such covenants will be filed by the City with the Municipal Securities Rulemaking Board (the "MSRB") in a format prescribed by the MSRB. Currently, the MSRB requires filing through the MSRB's Electronic Municipal Market Access system ("EMMA"), all as described in Appendix C – "Form of Continuing Disclosure Undertaking."

These covenants will be made in order to assist the Underwriter in complying with the Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The form of the undertaking which describes the content of the Annual Reports and the Notices and method of their dissemination is included as Appendix C hereto. A failure by the City to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Also, pursuant to Arizona law, the ability of the City to provide information pursuant to such covenants is subject to annual appropriation to cover the costs of preparing and sending the Annual Reports and the Notices to EMMA. Should the City not comply with such covenants due to a failure to appropriate for such purpose, the City has covenanted to provide notice of such failure in the same way it does the Notices. Absence of continued disclosure, due to non-appropriation or otherwise, may adversely affect the transferability and liquidity of the Bonds and their market price.

The City has complied in all material respects with its existing continuing disclosure undertakings.

FINANCIAL STATEMENTS

The financial statements of the City as of June 30, 2013 and for its fiscal year then ended, which are included as Appendix D of this Official Statement, have been audited by Eide Bailley, LLP, as stated in its opinion which appears in Appendix D – "Comprehensive Annual Financial Report of the City of Flagstaff, Arizona for the Fiscal Year Ended June 30, 2013." The City neither requested nor obtained the consent of Eide Bailley, LLP to include its report and Eide Bailley, LLP has performed no procedures subsequent to rendering its opinion on the financial statements.

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these opinions or estimates have been or will be realized. Information in this Official Statement has been derived by the City from official and other sources and is believed by the City to be accurate and reliable. Information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

Neither this Official Statement nor any statement that may have been or that may be made orally or in writing is to be construed as part of a contract with the original purchasers or subsequent owners of the Bonds.

CITY OF FLAGSTAFF, ARIZONA

By:__________________________________
Management Services Director

APPENDIX A

CITY OF FLAGSTAFF, ARIZONA
GENERAL AND FINANCIAL INFORMATION

General

The City of Flagstaff, Arizona (the "City" or "Flagstaff"), is northern Arizona's principal population, commerce and education center. Flagstaff is situated in a mountainous region at an elevation of 7,000 feet. At the base of the San Francisco Peaks, including Mount Humphreys (the highest point in the State of Arizona (the "State" or "Arizona") with an elevation of 12,670 feet), Flagstaff is known for its proximity to such Arizona attractions as the Grand Canyon, Wupatki National Monument, Sunset Crater, Walnut Canyon, Oak Creek Canyon and Meteor Crater.

Flagstaff was originally founded in the late 1800's as a work camp for construction crews working on the transcontinental railroad. It was incorporated as a town in 1894 and as a city in 1928. It has served as the county seat for Coconino County, Arizona (the "County"), since 1891.

Listed below are U.S. Census population figures for the City, the County and the State.

City of Flagstaff, Coconino County and State of Arizona
Population Statistics

Year	City of Flagstaff	Coconino County	State of Arizona
2012 Estimated (a)	66,322	134,313	6,498,569
2010 Census	65,870	134,421	6,392,017
2000 Census	52,894	116,320	5,130,632
1990 Census	45,857	96,591	3,665,228
1980 Census	34,743	75,008	2,716,633
1970 Census	26,117	48,326	1,775,399
1960 Census	18,214	41,857	1,302,161
1950 Census	7,663	23,910	749,587

(a) Population estimates as of July 1, 2012 (released December 2012) provided by the Office of Employment and Population Statistics, Arizona Department of Administration

Source: U.S. Census Bureau.

Municipal Government

Flagstaff operates under a Council-Manager form of government as provided by its Charter, which was originally adopted on October 3, 1958. The City Council is comprised of a Mayor and six Council members. The Council members are elected on a non-partisan ballot for four-year staggered terms while the Mayor is elected at large for a two-year term. The Mayor and Council members have equal voting power. The Council is responsible for policy-making, as well as making appointments to advisory boards, commissions and committees. It also appoints Municipal Court Judges and the City Attorney. Additionally, the City Council hires the City Manager who has full responsibility for carrying out Council policies and administering City operations. The City Manager in turn appoints City employees and department heads under civil service procedures as specified in the Charter.

Economy

The economy of Flagstaff is based primarily on government, small and medium-sized manufacturing, the service industry, trade and tourism. As the home of Northern Arizona University ("NAU"), Flagstaff is a center of educational, governmental and scientific employment and is becoming a center for research and development as well as the distribution and manufacturing of high technology products. The location of Flagstaff at the junction of Interstates 40 and 17, plus the close proximity of seven national parks and monuments, makes tourism a major source of employment and a strong contributor to the revenue base of Flagstaff. In addition, Flagstaff serves as the major trade and service center for a wide area of northern Arizona.

Major Employers

The major employers in Flagstaff and their approximate employment figures are listed below:

Employer	Product/Service	2013 Approximate Employment
Northern Arizona University	Education	2,571
Flagstaff Medical Center	Healthcare	2,200
W.L. Gore & Associates	Medical Equipment Manufacturing	1,950
Flagstaff Unified School District	Government	1,375
Coconino County	Government	1,200
City of Flagstaff	Government	657
Wal-mart	Retail	630
Walgreens Distribution Center	Distribution Center	407
SCA Tissue	Paper Products Manufacturing	255
Dell Systems	Information Technology	250
Nestle Purina	Distribution Center	240

Source: City of Flagstaff, Chamber of Commerce.

Manufacturing

The access to interstate highways and close proximity to Southern California markets has made Flagstaff the manufacturing and distribution center for northern Arizona. Flagstaff is the hub of W.L. Gore & Associates medical products division concentrating in the development and manufacturing of implantable medical devices and has been in Flagstaff for over 3 decades. Other bio-science manufacturers located in the City include Machine Solutions, a supplier of catheter and stent manufacturers and TGEN North, a pathogen genomics and bio defense research facility which opened in 2007.

The Northern Arizona Center for Emerging Technologies ("NACET") is a small-business assistance program founded to help entrepreneurs and startups succeed in northern Arizona. The program offers hands-on consulting to high-tech, science, and renewable energy firms. NACET is part of the Flagstaff's Science & Innovation Park, a collaboration with the U.S. Geological Survey ("USGS").

Government

Government comprises the largest component of the County's, as well as Flagstaff's, labor force as evidenced by being in five of the top 10 major employers. A number of departments of the federal government maintain offices in Flagstaff, including Agriculture, Commerce, Health, Education and Welfare, Interior, Justice, and Transportation. In particular, the City owns the land and many of the buildings on the USGS campus located in Flagstaff. [The City, the Government Services Administration, and the USGS, in cooperation with outside consultants, have developed a new master plan that calls for the eventual demolition of much of the existing campus. It will be replaced by a new USGS facility with an interconnected private science-and-technology park. The goal of this project is to facilitate technology transfer between USGS and the private sector. The park will include up to 200,000 square feet of research and manufacturing space.] [Update] In addition, the United States Forest Service and the National Park Service operate numerous offices in the area. As a public institution, NAU, with approximately 2,571 full time employees, is also a major contributor to government employment.

Tourism

Flagstaff is located near such tourist attractions as the Grand Canyon, the Glen Canyon Dam and Lake Powell, Sunset Crater, Walnut Canyon, and the scenic recreational attraction of Oak Creek Canyon. Located within Flagstaff are various United States Forest Service park areas for camping, stream and lake fishing, swimming, water skiing and hunting. Snow-skiing is available in the winter at the Arizona Snowbowl, a few miles north of Flagstaff.

Annual summer festivities in Flagstaff include an art, music, and theater festival. The J. Lawrence Walkup Skydome at Northern Arizona University, with a seating capacity of 16,000, can be adapted to a variety of events including football, basketball, ice hockey, badminton, volleyball, track, intramurals, and cultural and entertainment events. The Flagstaff Convention and Visitor's Bureau reports there are __ motels/hotels (including bed and breakfasts) in Flagstaff with a total of over _____ rooms.

The following table sets forth the number of visitors to selected national parks and monuments which are located near Flagstaff.

Number of Tourists Visiting Selected National Park Service Areas

Calendar Year	Grand Canyon National Park	Montezuma Castle National Monument	Sunset Crater National Monument	Walnut Canyon National Monument	Wupatki National Monument
2013 (a)	4,253,839	341,665	166,969	111,452	185,705
2012	4,421,352	455,305	177,793	110,748	201,365
2011	4,298,178	573,731	185,265	125,003	216,165
2010	4,388,386	578,554	158,819	126,552	221,083
2009	4,348,068	601,465	187,397	128,299	233,284
2008	4,425,314	603,755	209,399	101,833	239,157

(a) Through October 31, 2013.

Source: National Park Service Public Use Statistics Office.

Commerce

As the principal trade and service center for a large area of northern Arizona, wholesale and retail trade play a large role in the economy of Flagstaff. Both tourists and residents traveling and living within north-central Arizona have access to [nine] shopping centers in Flagstaff. Total gross sales in Flagstaff, sales tax receipts, and State-shared sales tax receipts for fiscal year 2008-09 through fiscal year 2013-14 are shown below.

City of Flagstaff
Retail Sales Data [CITY TO UPDATE]

Fiscal Year	Gross Sales	Sales Tax Receipts	State-Shared Sales Tax Receipts
2013-14[(a)]	$____________	$____________	$____________
2012-13	____________	____________	____________
2011-12	3,057,600,824	14,291,161	5,147,101
2010-11	2,907,362,618	13,575,385	4,711,821
2009-10	2,808,612,724	13,253,335	4,490,087
2008-09	3,024,838,794	13,658,763	4,868,072

(a) Through _____________, 2013.

Source: City of Flagstaff Finance Department.

As a result of the economic recession, net taxable retail sales in the County declined 5.94% in 2010, but have recovered with a 5.76% increase in 2011 and a 2.17% increase in 2012. Net taxable retail sales through September 2013 are reported at $775.3 million, representing an increase of approximately 4.69% over the same period in 2012. Net taxable retail sales for the County for the past six fiscal years are illustrated below:

Coconino County
Net Taxable Retail Sales [a]

Calendar Year	Amount	% Change
2013 (b)	$775,274,801	4.69%
2012	993,362,698	2.17
2011	972,230,016	5.76
2010	919,310,354	-5.94
2009	977,319,568	-5.82
2008	1,037,706,894	-2.24

[a] Excludes taxes on food and gasoline.
[b] Through September 30, 2013. This amount represents an increase of 4.69% over the same number collected through September 30, 2012 ($740,543,087).

Source: Arizona Department of Revenue.

Employment

Reports of the Arizona Department of Economic Security show the unemployment rate for the City averaged 5.6% through October 31, 2013, as compared to 5.7% and 6.6% in 2012 and 2011, respectively. The Department reports the total average employment at 67,206 for the County and 37,741 for the City through October 31, 2013. The following table shows comparative employment and unemployment statistics for Flagstaff, the County, the State of Arizona and the United States.

Comparative Employment Statistics

	Average Employment		Average Unemployment Rate			
Year	City of Flagstaff	Coconino County	City of Flagstaff	Coconino County	Arizona	U.S.
2013[a]	37,741	67,206	5.6%	7.9%	8.1%	7.5%
2012	37,655	67,052	5.7	8.1	8.3	8.1
2011	37,607	66,966	6.6	9.2	9.4	8.9
2010	34,754	67,771	6.8	9.7	10.4	9.6
2009	35,101	68,448	5.9	8.5	9.8	9.3
2008	35,428	69,086	3.7	5.4	6.0	5.8

[a] Through October 31, 2013 for City of Flagstaff and Coconino County. Through August 31, 2013 for State of Arizona and United States.

Source: Arizona Workforce and U.S. Department of Labor, Bureau of Labor Statistics.

[Total wage and salary employment for the City is unavailable.] However, the table shows a comparison of the changes in annual average employment levels in the various non-agriculture sectors of the County for calendar years 2009 through 2013.

Coconino County
Wage and Salary Employment
Number of Persons Employed 2009-2013

	2009	**2010**	**2011**	**2012**	**2013[(a)]**
Mining and Construction	2,200	2,100	2,000	2,100	2,000
Manufacturing	3,700	3,700	3,800	4,100	4,400
Trade, Transportation and Utilities Information	9,600	9,400	9,300	9,300	8,800
Information	400	400	400	400	400
Financial Activities	1,400	1,300	1,200	1,200	1,200
Professional and Business Services	2,700	2,600	2,600	2,700	2,900
Education and Health Services	7,800	8,100	8,400	8,500	8,700
Leisure and Hospitality	12,400	12,300	12,200	12,700	13,600
Other Services	1,900	1,800	1,700	1,600	1,600
Government	20,000	19,500	19,600	19,800	20,000
Total Wage & Salary	62,100	61,200	61,200	62,400	63,600

(a) Through October 31, 2013.

Source: Arizona Department of Economic Security, Research Administration.

Agriculture

Agricultural activity in the Flagstaff area is limited to fruit and corn production and cattle and sheep raising. According to the Arizona Agricultural Statistics Service, the marketing of livestock raised and crops grown in the County generated cash receipts of $29,072,000 and $22,770,000 in 2011 and 2010, respectively. There were approximately 39,000 head of cattle and calves in the County as of January 1, 2012.

[Due to the Government sequestration, the NASS no longer updates this information, we will wait to see if updates are provided in the future]

Construction

The following tables of building permits and housing starts were compiled from construction reports provided by the Arizona Real Estate Center, College of Business, Arizona State University and from the City. Data is obtained from municipalities which issue such permits. Construction is valued on the basis of estimated cost, not on market value or value of construction at the time the permit is issued. The date at which the permit is issued is not to be construed as the date of construction.

City of Flagstaff
Value of Building Permits [CITY TO PROVIDE UPDATES OR DELETE?]

Calendar Year	**Residential**	**Commercial**	**Industrial**	**Other**	**Total**
2013[(a)]	$__________	$__________	$__________	$__________	$__________
2012	67,544,241	16,194,683	0	1,899,143	85,638,067
2011	10,472,022	22,087,170	0	371,039	32,930,231
2010	12,436,000	22,030,000	0	2,842,000	37,308,000
2009	10,159,000	32,706,000	173,000	8,423,000	51,461,000
2008	28,323,000	41,183,000	2,590,000	4,127,000	76,223,000

(a) Through _____________, 2013.

Source: For years 2008 – 2010, Realty Studies, Morrison School, Arizona State University Polytechnic Campus. For years 2011 – 2013, the City.

New Housing Starts [CITY TO PROVIDE UPDATES OR DELETE?]

Calendar Year	City of Flagstaff
2013[(a)]	
2012	139
2011	47
2010	174
2009	191
2008	275

(a) Through _____________, 2013.

Source: For years 2008 – 2010, Realty Studies, Morrison School, Arizona State University Polytechnic Campus. For years 2011 – 2013, the City.

Banking Institutions

Individual statistics on bank deposits for Flagstaff are unavailable; however, the following table sets forth bank deposits in the County for the most recent five fiscal years available.

Coconino County
Bank Deposits

June 30	Amount ($000's)
2013	$1,361,293
2012	1,190,314
2011	1,125,020
2010	1,059,196
2009	1,028,086

Source: Federal Deposit Insurance Corporation, Summary of Deposits.

Transportation

Flagstaff is served by main lines of the Burlington Northern, Santa Fe and Amtrak Railroads, one transcontinental busline (Greyhound/Trailways), and seven interstate and four intrastate truck lines. Interstate Highways 17 and 40, as well as State Highways 89, 89A and 180, intersect within Flagstaff. Interstate 17 provides a direct route to Phoenix and other points in southern Arizona, while Interstate 40 is a transcontinental east-west route. State Highway 89 provides access to Northern Arizona's mountain recreation areas, including Lake Powell. State Highway 89A follows the Oak Creek Canyon to Sedona while State Highway 180 is the most direct route to the Grand Canyon.

Pulliam Airport, located four miles south of Flagstaff, is served by U.S. Airways and provides numerous daily flights to Phoenix, where connections can be made to international and national destinations.

Education [RBC TO CONFIRM INFORMATION BELOW]

Flagstaff is served by twelve public elementary schools, two middle schools, two high schools and several private and charter schools.

NAU is the leading employer in the City, with approximately 2,571 full-time faculty and staff. NAU is a fully-accredited, four-year degree-granting institution located on 730 acres within the City. NAU supports 78 programs leading to a bachelor's degree and 48 programs leading to a master's and doctoral degree. NAU's 2013 fall semester enrollment was 26,002.

Coconino County Community College District (the "College"), founded in 1991, is a multi-campus college serving residents of the County with classes offered in the City, Williams, Grand Canyon, Fredonia, Page and Tuba City. The College provides students with a variety of courses as well as Associate Degree and Certification programs. Enrollment for all campuses in fall 2012 was approximately 3,416. (Note: All enrollment statistics reflect head count, not full-time equivalent figures.) The faculty of the College is comprised of approximately 215 full-time and part-time employees.

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FINANCIAL INFORMATION

Introduction

The City's fiscal year is from July 1 through June 30. City budgeting for a fiscal year formally begins with the preparation of a proposed budget for submission to the City Council for tentative adoption in early June of each year. After publication of the budget and a public hearing, a final budget is adopted for the upcoming fiscal year. The budget must contain detailed information concerning the sums required to be expended for each purpose and the City's tax levy is then set based on the adopted figures.

Expenditure Limitation

Beginning in fiscal year 1982-83, the City became subject to the annual expenditure limitation which is set by the Arizona Economic Estimates Commission. This limitation is based on the City's annual expenditures for fiscal year 1979-80, with this base adjusted to reflect interim population, cost of living and boundary changes. Certain expenditures are specifically exempt from the limit, including expenditures made from federal funds and bond sale proceeds, as well as debt service payments. The limitations can be exceeded for certain emergency expenditures or if approved by the voters. The constitutional provisions that relate to the expenditure limitation provide four processes to exceed the spending limit: a local home rule option, a permanent base adjustment, a one-time override, and a capital project accumulation.

Since the inception of expenditure limitations, the City has not exceeded its limitation in any fiscal year. Based on the City's adopted budget, the City anticipates its expenditures will not exceed the limitation for fiscal year 2013-14.

Financial Reports and Examination of Accounts

State law requires that the City's financial books and records be audited by independent auditors, on an annual basis.

Ad Valorem Taxes

At the general election held November 6, 2012, the voters of the State ratified Senate Concurrent Resolution 1025, which amends a provision of the Arizona Constitution relating to the State's property tax system. Beginning in tax year 2015 (for operations during the City's fiscal year 2015/16), and for tax years thereafter, the constitutional amendment will limit the value of real property and improvements, including mobile homes, used for all ad valorem (property) tax purposes (both primary and secondary) to the lesser of the full cash value of the property or an amount five percent greater than the taxable value of property determined for the prior year. The foregoing limitation does not apply to (1) equalization orders that the Arizona Legislature (the "Legislature") exempts from such limitation; (2) property used in the business of patented or unpatented producing mines, mills and smelters; (3) producing oil, gas and geothermal interests; (4) real property and improvements used for operation of telephone, telegraph, gas, water and electric utilities; (5) aircraft that are regularly scheduled and operated by an aircraft company; (6) standing timber; (7) pipelines; and (8) personal property except mobile homes. Statutory amendments to implement this constitutional amendment were enacted in the 2013 legislative session.

The information which follows under the heading "FINANCIAL INFORMATION – Ad Valorem Taxes" summarizes the assessment, levy and collection process as it currently exists.

General

Arizona, through statutes enacted by the Legislature has established two different valuation bases for levying ad valorem property taxes. They are "limited property value" and "full cash value." Additionally, all property, both real and personal, is assigned a classification to determine its assessed valuation for tax purposes. Each legal classification is defined by property use and has an assessment ratio (a percentage factor) which is multiplied by the limited property or full cash values of the property to obtain the assessed valuations. The

Legislature, from time to time, has changed and may change the manner in which taxes are levied, including changing the assessment ratios and property classifications.

Primary Taxes

Taxes levied against the assessed limited property value (after application of the assessment ratio) are referred to as primary taxes, which are used for the maintenance and operation of counties, cities, towns, school districts, community college districts and the State. Limited property value cannot exceed the full cash value and is derived statutorily using one of the following two procedures:

(a) The limited property value for parcels in existence in the prior year that did not undergo modification through construction, destruction, split or change in use, are established at the prior year's limited property value increased by the greater of either 10% of prior year's limited property value or 25% of the difference between prior year's limited property value and the current year's full cash value.

(b) The limited property value for property that was omitted from the tax roll in the prior year, that underwent a change in use or modification through construction, destruction or demolition or that has been split, subdivided or consolidated, is established at a level or percentage of the limited property value to full cash value of existing properties of the same use or legal classification.

The aggregate of the primary taxes levied by a county, city, town and community college district is constitutionally limited to a maximum increase of 2% over the prior year's levy limit plus any taxes on property not subject to tax in the preceding year (e.g., new construction and property brought into the jurisdiction because of annexation). In 2007 each taxing entity's maximum allowable primary property tax levy limit was rebased to the amount of actual 2005 primary property taxes levied (plus amounts levied against property not subject to taxation in prior years) to remove unused taxing capacity. The 2% limitation does not apply to primary taxes levied on behalf of school districts. The limited and full cash values of personal property (other than mobile homes) and for utility, mining and producing oil, gas and geothermal property are the same.

Primary taxes on residential property only are constitutionally limited to 1% of the full cash value of such property. This constitutional limitation on residential primary tax levies is implemented by reducing the school districts' taxes. To offset the effects of reduced school district property taxes, the State compensates the school districts by providing additional State aid. See footnote (c) to TABLE 12.

Secondary Taxes

Taxes levied against the assessed full cash value (after application of the assessment ratio) are referred to as secondary taxes, which are used for debt retirement, voter-approved budget overrides and the maintenance and operation of special service districts such as sanitary, fire and road improvement districts. There is no limitation on the annual increases in full cash value of any property and annual levies for voter-approved bond indebtedness and special district assessments are unlimited.

Tax Procedures

Tax Year

The Arizona tax year has been defined as the calendar year, although tax procedures begin prior to January 1 of the tax year and continue through May of the succeeding calendar year, when payment of the second installment of property taxes for the tax year becomes past due. The definition of the tax year is a function of the tax lien for the year attaching to the real property as of January 1 of the tax year in question.

Determination of Full Cash Value

The first step in the tax process is the determination of the full cash value of each parcel of real property within the State. Most property is valued by the Assessor of the County, with the Arizona Department of Revenue valuing centrally assessed properties such as gas, water and electrical utilities, pipelines, mines, local and long distance telephone companies and airline flight property.

Full cash value is statutorily defined to mean "that value determined as prescribed by statute" or if no statutory method is prescribed it is "synonymous with market value." "Market value" means that estimate of value that is derived annually by use of standard appraisal methods and techniques, which generally includes the market approach, the cost approach and the income approach. As a general matter, the various county assessors use a cost approach for commercial/industrial property and a sales data approach for residential property. Arizona law allows taxpayers to appeal the county assessor's valuations by providing evidence of a lower value, which may be based upon another valuation approach.

Certain residential property owners sixty-five years of age and older may obtain a property valuation "freeze" (the *"Property Valuation Protection Option"*) if the owners total income for all sources does not exceed 400% (500% for two or more owners of the same property) of the "Social Security Income Benefit Rate." The Property Valuation Protection Option must be renewed every three years. If the property is sold to a person who does not qualify, the valuation reverts to its current full cash value. Any freezes on increases in full cash value will translate to the secondary assessed value of the affected property as hereinafter described.

Assessment Ratios

The appropriate property classification ratio is applied to the full cash value to determine the assessed valuation for such parcel. The assessment ratios utilized over the five-year period [2009] through [2013] for each class of property are set forth below.

TABLE 1
Property Tax Assessment Ratios
2009 through 2013

Property Classification[a]	2009	2010	2011	2012	2013
Mining, Utility, Commercial and Industrial[b]	22%	21%	20%	20%	19.5%
Agriculture and Vacant Land[b]	16%	16%	16%	16%	16.0%
Owner Occupied Residential	10%	10%	10%	10%	10.0%
Leased or Rented Residential	10%	10%	10%	10%	10.0%
Railroad, Private Car Company and Airline Flight Property[c]	18%	17%	15%	15%	15.0%

[a] Additional classes of property exist, but seldom amount to a significant portion of a governmental entity's total valuation.
[b] With respect to 2012-13, the first $68,079 of full cash value of commercial, industrial and agricultural personal property is not taxable. This exemption is indexed annually for inflation. Any portion of the full cash value in excess of such amount will be assessed at the applicable rate. The assessment ratio for mining, utilities, commercial and industrial property will be reduced to 19.5% for tax year 2013 and further reduced one-half of one percent for each year to 18% for tax year 2016 and thereafter. The assessment ratio for agricultural and vacant property will be reduced to 15% for tax year 2016 and thereafter.
[c] This percentage is determined annually to be equal to the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial, and military reuse zone properties, agricultural personal property and certain leasehold personal property to (ii) the total full cash (market) of such properties.

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

From time to time, bills have been introduced in the Arizona Legislature to reduce the property tax assessment ratios on utility, commercial and/or industrial property and such bills may be introduced in the current or future legislative sessions. The City cannot determine whether any such measures will become law or how they might affect property tax collections for the City.

Delinquent Tax Procedures

The property taxes due to the City are billed, along with State, County, and other property taxes, in September of the calendar tax year and are payable in two installments, October and March. The delinquent tax dates are November 1 and May 1 and delinquent taxes are subject to a penalty of 16% per annum unless the full year tax is paid by December 31. Delinquent interest is waived if a taxpayer, delinquent as of November 1, pays the entire year's tax bill by December 31. At the close of the tax collection period, the County Treasurer prepares a delinquent property tax list and the property so listed is advertised for sale in February of the succeeding year. In the event that there is no purchaser for the property at the tax sale, the title to such property is vested in the State, and the property is reoffered for sale from time to time until such time as it is sold, subject to redemption, for an amount sufficient to cover all delinquent and current taxes.

It should be noted that in the event of bankruptcy of a taxpayer pursuant to the United States Bankruptcy Code (the "Bankruptcy Code"), the law is currently unsettled as to whether a lien can attach against the taxpayer's property for property taxes levied during the pendency of bankruptcy. Such taxes might constitute an unsecured and possibly noninterest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are oversecured, and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect ad valorem taxes on a property of a taxpayer within the City. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on the property.

When a debtor files or is forced into bankruptcy, any act to obtain possession of the debtor's estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover a claim against the debtor that arose before the commencement of the bankruptcy would be stayed pursuant to the Bankruptcy Code. While the stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of a bankruptcy court. It is reasonable to conclude that "tax sale investors" may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of post-bankruptcy petition tax collections becomes uncertain.

Property Valuations

The following table lists the various property valuations for the City for the current year.

TABLE 2
Valuations for Fiscal Year 2013-14

Estimated Actual Valuation[(a)]	$5,268,068,208
Net Secondary Assessed Valuation	$661,062,990
Net Primary Assessed Valuation	$654,894,299

[(a)] Actual full cash value net of estimated value of property exempt from taxation.

Source: Coconino County Assessor's Office and *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue.

Net Secondary Assessed Valuation Comparisons and Trends

The information set forth in the tables on the next page is shown to indicate the ratio between secondary assessed values and estimated actual values for the City, as well as changes in the net secondary assessed valuations of the City and overlapping municipality units on a comparative basis. The basis of property assessment for these years is shown under "Ad Valorem Taxes - Tax Procedures."

TABLE 3
City of Flagstaff
Net Secondary Assessed Value and Estimated Actual Full Cash Value Comparisons

Fiscal Year	Net Secondary Assessed Valuation	Estimated Actual Valuation[(a)]	Net Secondary Assessed Valuation as a Percentage of the Estimated Actual Valuation
2013-14	$661,062,990	$5,268,068,208	12.55%
2012-13	765,276,651	6,083,315,162	12.58
2011-12	791,371,939	6,280,342,309	12.60
2010-11	864,039,469	6,850,230,022	12.61
2009-10	912,165,425	7,210,066,368	12.65
2008-09	877,964,376	6,816,624,340	12.88

(a) Actual full cash value net of estimated value of property exempt from taxation.

Source: Coconino County Assessor's Office and *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue.

Net Secondary Assessed Valuation Comparison

TABLE 4

Fiscal Year	City of Flagstaff	Percent Change	Coconino County	Percent Change	State of Arizona	Percent Change
2013-14	$661,062,990	(13.62%)	$1,533,065,282	(12.87%)	$52,594,377,492	(6.54%)
2012-13	765,276,651	(3.30%)	1,759,609,915	(4.38%)	56,271,814,583	(8.80%)
2011-12	791,371,939	(8.41%)	1,840,142,610	(10.38%)	61,700,292,915	(18.43%)
2010-11	864,039,469	(5.28%)	2,053,368,455	(4.75%)	75,643,290,656	(12.59%)
2009-10	912,165,425	3.90%	2,155,851,009	4.78%	86,538,111,171	0.52%
2008-09	877,964,376	16.98%	2,057,478,154	17.92%	86,090,579,647	19.84%

Source: Coconino County Assessor's Office and *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue.

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Net Secondary Assessed Valuations of Major Taxpayers

Shown in the table below are the major property taxpayers located within the City, and their full year 2013-14 net secondary assessed value and their relative proportion of the City's net secondary assessed value.

TABLE 5

Taxpayer[a]	Type of Business/Property	2013-14 Net Secondary Assessed Valuation	As Percent of City's 2013-14 Net Secondary Assessed Valuation
Arizona Public Service	Gas & Electric Utility	$17,147,023	2.59%
W. L. Gore & Associates, Inc.	Manufacturing	12,851,171	1.94
Nestle Purina Petcare Company	Manufacturing	4,603,873	0.70
Qwest Corporation	Telecommunications	4,034,349	0.61
Wal-Mart Stores Inc	Retail	3,546,846	0.54
Flagstaff Mall SPE LLC	Shopping Center	3,235,942	0.49
Unisource Energy Corporation	Electric Utility	2,422,510	0.37
BNSF Railway Company	Transportation	2,394,283	0.36
Ridge at Clear Creek LLC	Residential Development	2,299,542	0.35
Walgreen Arizona Drug Co.	Retail	2,226,561	0.34
Total		$54,762,100	8.28%

Source: Coconino County Assessor's Office.

[a] Some of such taxpayers or their parent companies are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected, copied and obtained at prescribed rates at the Commission's public reference facilities at 100 F Street, N.E., Washington, D.C. 20549. In addition, the Filings may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. The Filings may also be obtained through the Internet on the Commission's EDGAR data base at http://www.sec.gov. Neither the City nor the Underwriter has examined the information set forth in the Filings for accuracy or completeness, nor do they assume responsibility for the same.

Net Secondary Assessed Valuation by Property Classification

Shown in the table below is the net secondary assessed valuation for the City for fiscal year [2013-14] by property classification.

TABLE 6

Description	2013-14 Net Secondary Assessed Valuation	2013-14 Percent of Total (a)
Commercial, Industrial, Mining, Timber	$240,050,743	36.31%
Agricultural and Vacant	45,092,343	6.82
Residential (Owner)	215,060,612	32.53
Residential (Rental)	156,262,979	23.64
Railroad and Airlines	2,394,285	0.36
Residential Historic & Other	1,217,329	0.18
Commercial Historic & Other	967,854	0.15
Improvements on Gov. Property	16,845	0.00
	$661,062,990	100.00%

Source: Coconino County Assessor's Office and State and County Abstract of the Assessment Roll, Arizona Department of Revenue.

(a) Total may not equal 100% due to rounding.

Record of Real and Secured Property Taxes Levied and Collected

Property taxes are levied and collected on all taxable property within the City and are certified by the County Treasurer. The following table sets forth the real and secured personal property tax collections of the City for the past six fiscal years.

TABLE 7

		Collected to June 30 End of Tax Fiscal Year[(a)]		Total Collections[(b)]	
Fiscal Year	Tax Levy	Amount	Percent of Tax Levy	Amount	Percent of Tax Levy
2013-14	$11,039,908	(c)	(c)	$ 384,544	3.48%
2012-13	11,834,990	$11,553,853	97.62%	11,654,118	98.47
2011-12	11,992,873	11,635,128	97.02	11,937,937	99.54
2010-11	12,616,324	12,113,128	96.01	12,587,981	99.78
2009-10	12,750,836	12,477,413	97.86	12,768,563	100.14
2008-09	12,253,760	11,934,997	97.40	12,243,675	99.92

(a) Reflects collections made through June 30, the end of the fiscal year, on such year's levy. Property taxes are payable in two installments. The first installment becomes due on October 1 and is delinquent on November 1. The second installment becomes due on March 1 and is delinquent on May 1. Interest at the rate of 16% per annum attaches on first and second installments following their delinquent dates unless the full year tax is paid by December 31. Penalties for delinquent payments are not included in the above collections figures. See "Ad Valorem Taxes - Tax Procedures" herein.

(b) Reflects collections made through September 30, 2013 against current and prior levies.
(c) In process of collection.

Source: Coconino County Treasurer's Office.

Tax Rate Data

The tax rates provided below reflect the total property tax rate levied by the City. As such, the rates are the sum of the tax rate for debt service payments, which is levied against the City's secondary assessed value, and the tax rate for all other purposes, which is levied against the primary assessed value within the City.

TABLE 8

Fiscal Year	City's Primary Tax Rate Per $100 Assessed Value	City's Secondary Tax Rate Per $100 Assessed Value	City's Total Tax Rate Per $100 Assessed Value
2013-14	$0.8429	$0.8366	$1.6795
2012-13	0.7131	0.8366	1.5497
2011-12	0.6917	0.8366	1.5283
2010-11	0.6479	0.8366	1.4845
2009-10	0.6547	0.8366	1.4913
2008-09	0.6803	0.8366	1.5169

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Foundation and Coconino County Treasurer's Office.

Debt Limitation

The Arizona Constitution provides that the general obligation bonded indebtedness for a municipality for general municipal purposes may not exceed six percent of the secondary assessed valuation of the taxable property in that municipality. In addition, an incorporated municipality may become indebted in an amount not exceeding an additional twenty per cent of the of the secondary assessed valuation of the municipality for supplying such municipality with water, artificial light, or sewers, when the works for supplying such water, light, or sewers are or shall be owned and controlled by the municipality, and for the acquisition and development by the municipality of land or interests therein for open space preserves, parks, playgrounds and recreational facilities, public safety, law enforcement, fire and emergency services facilities and streets and transportation facilities.

TABLE 9

Water, Sewer, Light, Parks and Open Space, Transportation and Public Safety Purpose Bonds		All Other General Obligation Bonds	
20% Constitutional Limitation	$132,212,598	6% Constitutional Limitation	$39,663,779
Direct General Obligation Bonds Outstanding	48,787,587*	Direct General Obligation Bonds Outstanding	0
Unused 20% Limitation Borrowing Capacity	$83,425,011*	Unused 6% Limitation Borrowing Capacity	$39,663,779

* Preliminary, subject to change.

General Obligation Bonded Debt Outstanding

The following table lists the outstanding general obligation bonded debt of the City.

TABLE 10

Date of Issue	Original Amount	Purpose	Maturity Date	Average Int. Rate	Balance Outstanding
04-01-06	$ 31,500,000	Various Improvements	02-01-06/23	4.350%	$ 19,560,000
06-17-11	1,833,828	Water System	07-01-12/31	4.000	1,504,660
07-05-11	3,952,287	Communications	07-01-12/21	2.750	3,292,927
09-13-11	12,845,000	Various Improvements	07-01-12/20	2.761	12,510,000
09-13-11	3,015,000	Refunding	07-01-12/14	4.009	460,000
03-20-13	11,460,000	Various Improvements	07-01-14/28	3.102	11,460,000
Total Direct General Obligation Bonded Debt Outstanding					$48,787,587
Plus: The Bonds Offered Herein					________*
Less: The Bonds Being Refunded					________*
Less: General Obligation Bonded Debt paid from Enterprise and Other Revenues[(a)]					(247,296)
Net General Obligation Bonded Debt Outstanding					$_________*

[(a)] The City has paid and may continue to pay the debt service requirements on $247,296 principal amount of general obligation bonds from water and sewer system revenues which remain after payment of operation and maintenance expenses of the system and revenue bond debt service. In the event that these net revenues should prove insufficient, or should the City decide not to pay such debt from such net revenues, this indebtedness would then be paid from ad valorem taxes.

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* Preliminary, subject to change.

Annual Debt Service Requirements of General Obligation Bonded Debt to be Outstanding†

The following table lists the annual debt service requirements of the City's general obligation bonded debt outstanding and to be outstanding.

TABLE 11

Fiscal Year Ending	General Obligation Bonds Outstanding[(a)]		Series 2014 Bonds*		Combined Annual Debt Service Requirements*
	Principal	Interest	Principal	Interest[(b)]	
2014	$4,731,931	$1,739,722			
2015	5,052,985	1,500,155			
2016	5,259,319	1,331,784			
2017	4,705,939	1,167,452			
2018	4,767,853	1,028,638			
2019	4,880,068	853,373			
2020	4,862,592	675,499			
2021	3,520,432	512,183			
2022	3,186,298	391,305			
2023	2,608,822	264,582			
2024	911,423	173,993			
2025	949,106	138,310			
2026	981,872	101,144			
2027	1,009,724	71,593			
2028	1,047,664	41,202			
2029	100,695	9,671			
2030	103,821	6,545			
2031	107,043	3,323			
	$48,787,587	$10,010,474			

† Columns may not total due to rounding

(a) Represents all general obligation bonded indebtedness outstanding. Also includes funds borrowed under a separate Loan Agreement with a state bond bank, the Water Infrastructure Financing Authority of Arizona - see footnote (a) in Table 10. The table above reflects debt service requirement on the full amount of the loan.

(b) Interest is estimated. The first interest payment on the Bonds is due on January 1, 2015*, representing interest from the date of the Bonds. Thereafter, interest payments will be made semiannually on each July 1 and January 1, until maturity of the Bonds.

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* Preliminary, subject to change.

Certificates of Participation Bonded Debt Outstanding

The following table lists the certificates of participation of the City that are currently outstanding.

Date of Issue	Original Amount	Purpose	Maturity Dates	Average Int. Rate	Balance Outstanding
07/29/2009	$4,960,000	Series 2009	10/1/10-19	3.405%	$3,625,000
Total Certificates of Participation Bonded Debt Outstanding					$3,625,000

Improvement District Bonded Debt Outstanding

The following table lists the improvement district bonds of the City that are currently outstanding.

Date of Issue	Original Amount	Purpose	Maturity Dates	Average Int. Rate	Balance Outstanding
06/20/2007	$19,075,000	Aspen Place at the Saw Mill Improvement District	7/1/10-32	5.000%	$10,210,000
Total Improvement District Bonded Debt Outstanding					$10,210,000

Water and Wastewater Revenue Obligations Outstanding

The following chart lists the water and wastewater revenue obligations of the City that are currently outstanding. The City's financial obligations are through loan agreements with the Water Infrastructure Finance Authority of Arizona, a State revolving fund.

Date of Issue	Original Amount	Loan	Maturity Dates	Average Int. Rate	Balance Outstanding
2002	$ 6,775,760	2003 (Loan 920068-03)	07/01/2022	3.548%	$ 3,634,606
2006	7,900,000	2006 (Loan 920105-07)	07/01/2026	3.280	5,645,000
2007	23,100,000	2007 (Loan 910083-07)	07/01/2027	3.512	18,404,553
2008	8,500,000	2008 (Loan 920136-09)	07/01/2028	3.855	6,923,844
2009	2,100,000	2009A (Loan 920145-10)	07/01/2029	3.113	1,776,219
2009	232,500	2009B (Loan 92A148-10)	07/01/2029	2.905	196,001
2009	1,000,000	2009C (Loan 920173-10)	07/01/2029	3.500	451,188
2009	800,000	2009D (Loan 720011-10)	07/01/2029	3.500	942,143
Total Water and Wastewater Revenue Obligations Outstanding					$37,973,554

Net Direct and Overlapping General Obligation Bonded Debt

Overlapping bonded debt figures were compiled from information obtained from the County Treasurer's office and individual jurisdictions. A breakdown of each overlapping jurisdiction's applicable general obligation bonded debt, net secondary assessed valuation and combined tax rate per $100 assessed valuation follows. Outstanding bonded debt is comprised of general obligation bonds outstanding and general obligation bonds scheduled for sale. The applicable percentage of each jurisdiction's assessed valuation which lies within the City's boundaries (see the "Approximate Percent" column below) was derived from information obtained from the County Assessor's Office.

TABLE 12

Overlapping Municipality	2013-14 Net Secondary Assessed Valuation	Net Outstanding Bonded Debt[a]	Proportion Applicable to City of Flagstaff: Approx. Percent	Proportion Applicable to City of Flagstaff: Amount	2013-14 Combined Tax Rate Per $100 Assessed Value[b]
State of Arizona	$52,594,377,492	None	1.26 %	None	$0.0000
Coconino County[c]	1,533,065,282	None	43.12%	None	1.6645
Coconino County Community College District	1,533,065,282	$11,085,000	43.12%	$4,779,890	0.5879
Coconino Association for Vocations, Industry and Technology	1,318,760,478	None	50.13%	None	0.0500
Flagstaff Unified School District No. 1	1,034,297,548	32,850,000	63.91%	20,995,814	5.1939
City of Flagstaff	**661,062,990**	**________***	**100.00%**	**________***	**1.6795**
Total Direct and Overlapping General Obligation Bonded Debt				$________*	$

[a] Includes general obligation bonds outstanding less general obligation bonds supported from revenues. Excludes Coconino County Improvement Districts' bonded debt outstanding, as this indebtedness is presently paid from special assessments levied against property owners residing within the improvement districts. Also excludes debt issued by the County and the County Jail District which is supported from annual appropriations of the County and a County sales tax and maintenance of efforts payments, respectively. Also excludes the City of Flagstaff Improvement District bonded debt outstanding as this indebtedness is payable from special assessments levied and collected within the improvement districts.

[b] The combined tax rate includes the tax rate for debt service payments, which is based on the secondary assessed valuation of the entity and the tax rate for all other purposes such as maintenance and operation and capital outlay which is based on the primary assessed valuation of the municipality.

[c] The County's tax rate shown includes the County's primary and secondary debt service tax rates of $0.5466, the State imposed $0.5123 tax rate for the "State Equalization Assistance Property Tax", the $0.2556 tax rate of the County Library District, the $0.1000 tax rate of the County Fire District and the $0.2500 tax rate for Public Health Services.

* Preliminary, subject to change.

Authorized But Unissued General Obligation Debt

The City will have $__________* principal amount of authorized, but unissued, general obligation bonds authority after the issuance of the Bonds herein.

Net Direct and Overlapping General Obligation Bonded Debt Ratios

The City's direct and overlapping general obligation bonded debt is shown below on a per capita basis and as a percent of the City's net secondary assessed value and estimated actual value.

TABLE 13 (a)

	Per Capita Net Debt (Pop. @ 66,322[a])	As Percent of City's 2013-14 Net Secondary Assessed Valuation ($661,062,990)	As Percent of City's 2013-14 Estimated Actual Valuation ($5,268,068,208)
Net Direct General Obligation Bonded Debt ($_____________*)*	$		
Net Direct and Overlapping General Obligation Bonded Debt ($__________*)*	$		

(a) Population estimates as of July 1, 2012 (released December 2012) provided by the Office of Employment and Population Statistics, Arizona Department of Administration.

Short-Term Indebtedness

The City has no short-term indebtedness outstanding other than normally occurring debt, such as accounts payable, accrued payroll and other related expenses which have current revenues for their payment.

Other Indebtedness

The City is obligated for a loan originally negotiated in the principal amount of $600,000 through the Arizona Department of Transportation Aeronautics Division. The loan is secured by revenues from airport hangars and shades and will be paid in quarterly payments of $5,337 to $13,548 through January 1, 2016. Total payments remaining equal $_______, as reported in the City's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013 included in Appendix D.

Lease, Lease-Purchase and Purchase Agreements

The City is obligated with respect to the following lease payments which are subject to annual appropriation:

TABLE 14 [CITY TO UPDATE]

Year Ending June 30	Capital Lease Payments
2013	$ 953,685
2014	953,685
2015	718,188
Thereafter	2,577,927

* Preliminary, subject to change.

Excise Tax and State Shared Revenue Supported Debt

The City of Flagstaff Municipal Facilities Corporation ("MFC") is an Arizona nonprofit corporation formed in January 1979. The City and the MFC have issued debt secured by Excise Taxes and State Shared Revenues as shown below.

TABLE 15

Issue Date	Issuer	Issue Purpose	Original Principal Amount	Principal Outstanding	Final Maturity
03-03-10	City	Construction of Business Incubator[a]	$3,370,000	$2,965,000	2030
03-21-12	MFC	Refunding[b]	$12,530,000	$12,530,000	2020

[a] Under a loan agreement with the Greater Arizona Development Authority ("GADA"), the City has agreed to make semi-annual payments equal to the principal and interest on the GADA loan. The City has pledged State Shared Revenues to the payment of the GADA loan.

[b] Under an agreement with the MFC, the City has agreed to make semi-annual rent payments equal to the principal and interest on the MFC's bonds. The City has pledged Excise Taxes to the payment of the MFC's bonds.

Pension and Retirement Plans / Other Post-Employment Benefits [CITY TO UPDATE]

The City contributes to three separate defined benefit pension plans for the benefit of all general employees of the City and elected officials. Please refer to Appendix D – "Comprehensive Annual Financial Report of the City of Flagstaff, Arizona for the Fiscal Year Ended June 30, 2013" for a more detailed description of these plans and the City contributions to the various plans.

The Arizona State Retirement System ("ASRS"), a cost-sharing, multiple employee defined benefit plan, the major of the three, has reported increases in its unfunded liabilities. The most recent annual reports for the ASRS may be accessed at: https://www.azasrs.gov/web/FinancialReports.do. The increase in such liabilities is expected to result in increased contributions by the City and its employees; however the specific effects cannot be determined at this time.

For the year ended June 30, 2013, active plan members were required by statute to contribute at the actuarially determined rate of 11.14 percent (10.90 percent retirement and 0.24 percent long-term disability) of the members' annual covered payroll. The City was required by statute to contribute at the actuarially determined rate of 11.14 percent (10.90 percent retirement and 0.24 percent long-term disability) of the members' annual covered payroll. For fiscal year 2014 (starting July 1, 2013), the rate, including retirement and long-term disability, increased to 11.30 percent for both the City and for employees, with additional increases currently scheduled through fiscal year [2018]. The City's contributions to the ASRS for fiscal years [2013] and [2012] were $_________ and $2,763,739, respectively, both of which were equal to the required contributions for the year.

The Government Accounting Standards Board ("GASB") adopted GASB Statement Number 68, Accounting and Financial Reporting for Pensions ("GASB 68"), which, beginning with fiscal years starting after June 15, 2014, requires cost-sharing employers to report their "proportionate share" of the plan's net pension liability in their government-wide financial statements. GASB 68 will also require that the cost-sharing employer's pension expense component include its proportionate share of the plan's pension expense, the net effect of annual changes in the employer's proportionate share and the annual differences between the employer's actual contributions and its proportionate share. The new reporting requirements imposed by GASB 68 will change the financial statements of the City, but what the specific effect will be is unknown at this time.

The City provides post-retirement healthcare insurance benefits for its retirees as an agent multiple-employer plan which is administered through Northern Arizona Public Employee Benefit Trust (NAPEBT). NAPEBT provides benefits to eligible retirees through the same plan as active city employees and their beneficiaries up to the age of 65; the implicit rate subsidy exists through the duration of the coverage. Substantially all of the City's employees may become eligible for those benefits when they qualify for retirement. To be eligible a retiree must qualify to receive retirement benefits from the ASRS and elect coverage at date of retirement. NAPEBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on their website:www.napebt.com/community_docs. As of [June 30, 2010], there were [75] retirees who elected coverage.

The City has elected to not fund the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement Number 45, Other Post-Employment Benefits. GASB 45 requires that benefits such as these ("OPEB") be recognized as current costs over the working lifetime of employees, and, to the extent such costs are not prefunded or are underfunded, that such costs be reported as a financial statement liability. Under GASB 45, the City is required to commission an actuarial valuation of its OPEB costs every two years. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The City's implicit subsidy rate to covered payroll is actuarially determined at [23.4]%. Plan members receiving benefits contribute $[564,489] during fiscal year [2010].

There are no other OPEB liabilities.

Summary of Certain Financial Information

State law requires that the City's financial books and records be audited by the State Auditor General or independent certified public accountants on an annual basis. The audited financial statements of the City are presented in Appendix D as "Comprehensive Annual Financial Report of the City of Flagstaff, Arizona for the Fiscal Year Ended June 30, 2013."

Beginning with fiscal year 2002-2003, the City presents annual financial statements in accordance with then-newly effective pronouncements issued by GASB, the authoritative body for establishing generally accepted accounting principles (GAAP) for public institutions of higher education. These pronouncements, known as GASB Statements Numbers 34 and 35, permit public colleges and universities to use the guidance for special-purpose governments engaged only in business-type activities, in their separately issued financial statements. The presentation format has shifted from a columnar fund group format to a consolidated, single-column, entity-wide format, similar to the type of financial statements one might encounter from a typical business enterprise.

The table on the following page summarizes audited Revenues, Expenses and Changes in Fund Balance for the fiscal years 2009-10 through 2012-13 and budgeted information for 2013-14. The information contained in the summary should be read in conjunction with the financial statements and accompanying notes in Appendix D of this Official Statement.

CITY OF FLAGSTAFF
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES

TABLE 16

	Audited[1]				Budgeted[2]
	2009-10	2010-11	2011-12	2012-13	2013-14
Revenues:					
Taxes	$43,200,268	$43,799,128	$45,577,128		
Intergovernmental	19,450,213	17,488,021	17,230,696		
Grants and Entitlements	11,172,862	10,583,483	9,721,569		
Charges for Services	3,057,423	2,926,237	3,220,137		
Special Assessments	1,510,217	701,447	8,286,453		
Licenses and Permits	1,441,874	739,040	1,681,874		
Fines and Forfeitures	1,636,157	1,673,306	1,601,044		
Rents	1,588,214	1,617,912	1,605,166		
Investment Earnings	413,594	224,363	296,241		
Contributions	544,393	166,417	390,253		
Miscellaneous	228,969	1,719,608	492,971		
Total Revenues	$84,244,184	$81,638,962	$90,103,532		
Expenditures:					
Current:					
General Governmental	$ 7,926,726	$ 7,113,922	$ 7,453,963		
Public Safety	25,159,777	24,476,615	25,301,495		
Public Works	1,360,447	1,299,027	1,146,692		
Economic and Physical Development	8,601,808	8,202,024	8,584,826		
Culture and Recreation	10,615,754	10,782,848	10,576,877		
Highways and Streets	9,313,158	10,612,033	9,593,074		
Debt Service:					
Principal Retirement	6,065,522	6,761,313	13,654,681		
Interest and Other Charges	3,996,963	3,451,572	3,346,253		
Capital Outlay	12,446,280	11,785,480	11,951,834		
Total Expenditures	$85,486,435	$84,484,834	$91,609,695		
Excess (Deficiency) of Revenues Over Expenditures	(1,242,251)	(2,845,872)	(1,506,163)		
Other Financing Sources (Uses):					
Proceeds of Refunding Bonds			$13,924,136		
Payment to Bond Refunding Escrow Agent			(15,394,336)		
Issuance of Capital Debt	$ 8,330,000		16,797,287		
Bond Premium	58,370		2,264,386		
Sale of Capital Assets	1,084,211	$ 45,655	43,890		
Insurance Recoveries	1,920,000	1,058,985			
Reserve/Contingency	0	0	–		
Transfers In	15,224,243	13,661,630	14,872,935		
Transfers Out	(18,525,100)	(14,268,052)	(15,074,950)		
Total Financing Sources (Uses)	8,091,724	498,218	17,433,348		
Net Changes in Fund Balance	6,849,473	(2,347,654)	15,927,185		
Fund Balances, Beginning of Year, as Restated	$39,213,874[3]	$46,063,347	$43,715,693		
Fund Balances, End of Year	$46,063,347	$43,715,693	$59,642,878		

(1) The information shown for fiscal years 2009-10 through 2012-13 is taken from the City’s Comprehensive Annual Financial Reports for the respective fiscal years. This table itself has not been the subject of an audit.
(2) Fiscal year 2013-14 is budgeted, as provided by the City of Flagstaff. Budgeted amounts are “forward looking statements” and should be viewed with an abundance of caution.
(3) Fiscal year 2010 beginning fund balance was restated due to a determination that prior year intergovernmental revenue had been incorrectly recorded as deferred revenue and should have been recognized as revenue in the year received.

APPENDIX B

FORM OF OPINION OF BOND COUNSEL

DRAFT

[LETTERHEAD OF GREENBERG TRAURIG]

[Closing Date]

Mayor and Council of the
City of Flagstaff, Arizona
211 West Aspen Avenue
Flagstaff, Arizona 86001 5399

Re: City of Flagstaff, Arizona General Obligation Bonds, Series 2014A and General Obligation Refunding Bonds, Series 2014B

We have examined copies of the proceedings of the Mayor and Council of the City of Flagstaff, Arizona (the "City"), and other proofs submitted to us relative to the issuance of the captioned Bonds (together, the "Bonds"), described more particularly as follows:

$______________*
City of Flagstaff, Arizona
General Obligation Bonds
Series 2014A
(the "New Money Bonds")

$____________*
City of Flagstaff, Arizona
General Obligation Refunding Bonds
Series 2014B
(the "Refunding Bonds")

Dated the Date Hereof

Bearing interest (payable January 1, 2015*, and semiannually thereafter on July 1 and January 1) at the rate per annum, and maturing on July 1 of each year, in the years and amounts, as follows:

New Money Bonds

Year	**Principal Amount**	**Interest Rate**
	$	%

*Preliminary, subject to change.

Refunding Bonds		
Year	**Principal Amount**	**Interest Rate**
	$	%

Principal of the Bonds being payable at the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A., the Bond Registrar and Paying Agent, and semiannual interest being payable by check mailed to the registered owners thereof, as shown on the registration books for the Bonds maintained by the Bond Registrar and Paying Agent at the address appearing thereon at the close of business on the 15th day of the calendar month next preceding that interest payment date.

The Bonds being subject to redemption as described in the hereinafter defined Ordinance.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid proceedings and proofs.

We are of the opinion that such proceedings and proofs show lawful authority for the sale and issuance of the Bonds pursuant to the Constitution and laws of the State of Arizona now in force and that the Bonds are valid and legally binding obligations of the City, all of the taxable property within which is subject to the levy of a tax without limitation as to rate to pay the principal of and interest on the Bonds, but limited with respect to the Refunding Bonds to a total amount not greater than the total aggregate principal and interest to become due on the bonds being refunded with proceeds of the sale of the Refunding Bonds (the "Bonds Being Refunded") from the date of issuance of the Bonds to the final date of maturity of the Bonds Being Refunded. The net proceeds of the Refunding Bonds have been deposited in an irrevocable trust for the payment of the Bonds Being Refunded with interest on maturity or upon an available redemption date. The owners of the Refunding Bonds must rely on the sufficiency of such funds for payment of the Bonds Being Refunded. The issuance of the Refunding Bonds shall in no way infringe upon the rights of the holders of the Bonds Being Refunded to rely upon a tax levy for the payment of principal and interest on the Bonds Being Refunded if such funds prove insufficient.

Under existing statutes, regulations, rulings and court decisions, subject to the assumption stated in the last sentence of this paragraph, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and the interest on the Bonds is exempt from income taxation under the laws of the State of Arizona. Furthermore, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the City must continue to meet after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal income tax purposes. The failure of the City to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retro-active to their date of issuance. The Mayor and Council of the City have ordained in Ordinance No. 2014-__, adopted by the Mayor and Council of the City on [January 21, 2014] (the "Ordinance"), to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds. (Subject to the same limitations in the penultimate paragraph hereof with respect to such covenants, the City has full legal power and authority to comply with such covenants.) We express no opinion regarding other tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the Bonds. In rendering the opinion expressed above, we have assumed continuing compliance with the tax covenants referred to above that must be met after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal tax purposes.

The rights of the holders of the Bonds and the enforceability of those rights may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights. The enforcement of those rights may also be subject to the exercise of judicial discretion in accordance with general principles of equity.

This opinion represents our legal judgment based upon our review of the law and the facts we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof, and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX C

**FORM OF CONTINUING DISCLOSURE UNDERTAKING
FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER SECTION (b)(5) OF RULE 15c2-12**

DRAFT

$_______________*	$_____________*
City of Flagstaff, Arizona	City of Flagstaff, Arizona
General Obligation Bonds	General Obligation Refunding Bonds
Series 2014A	Series 2014B

(CUSIP BASE NUMBER 338423)

This Continuing Disclosure Undertaking (this "Undertaking") is executed and delivered on behalf of the City of Flagstaff, Arizona (the "City"), in connection with the sale and issuance of the captioned Bonds (together, the "Bonds").

In connection with the Bonds, the City covenants and agrees as follows:

1. Definitions. In addition to the terms defined hereinabove, the terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires:

"Annual Information" means the financial information and operating data set forth in Exhibit I.

"Annual Information Disclosure" means the dissemination of disclosure concerning Annual Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

"Audited Financial Statements" means the audited financial statements of the City prepared pursuant to the standards and as described in Exhibit I.

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" means any agent designated as such in writing by the City and which has filed with the City a written acceptance of such designation, and such agent's successors and assigns.

"*EMMA*" means the Electronic Municipal Market Access system of the MSRB. Information regarding submissions to EMMA is available at http://emma.msrb.org.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Listed Event*" means the occurrence of any of the events with respect to the Bonds set forth in Exhibit II.

"MSRB" means the Municipal Securities Rulemaking Board.

"Underwriter" means the broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

"Rule" means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"State" means the State of Arizona.

"Undertaking" means the obligations of the City pursuant to Sections 4, 5, 6 and 7 hereof.

* Preliminary, subject to change.

2. Purpose of this Undertaking. This Undertaking is executed and delivered by the City as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Underwriter in complying with the requirements of the Rule.

3. CUSIP Number/Final Official Statement. The Base CUSIP Number of the Bonds is 338423. The Final Official Statement relating to the Bonds is dated ___________, 2014.

4. Annual Information Disclosure. Subject to Section 8 of this Undertaking, the City shall disseminate the Annual Information and the Audited Financial Statements, if any (in the form and by the dates set forth in Exhibit I), to the MSRB through EMMA, in a format prescribed by the MSRB. The City is required to deliver such information in such manner and by such time so that such entity receives the information on the date specified.

If any part of the Annual Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the City will disseminate a statement to such effect as part of the Annual Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. Listed Events Disclosure. Subject to Section 8 of this Undertaking, the City hereby covenants that it will disseminate notice of occurrence of a Listed Event to the MSRB through EMMA not later than ten business days after the occurrence of the Listed Event, in a format prescribed by the MSRB, except that for the events 2, 7, 10, 13 and 14, listed in Exhibit II, the City will provide such notice if it determines that such event would be material under applicable federal securities laws.

6. Consequences of Failure of the City to Provide Information. The City shall give notice in a timely manner to the MSRB through EMMA, in a format prescribed by the MSRB, of any failure to provide Annual Information Disclosure when the same is due hereunder.

In the event of a failure of the City to comply with any provision of this Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the City to comply with its obligations under this Undertaking. A default under this Undertaking shall not be an event of default on the Bonds or the ordinance pursuant to which they were authorized. The sole remedy under this Undertaking in the event of any failure of the City to comply with this Undertaking shall be an action to compel performance.

7. Amendments; Waiver. Notwithstanding any provision of this Undertaking, the City by certified resolutions authorizing each amendment or waiver, may amend this Undertaking, and any provision of the Undertaking may be waived, if:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted;

(b) This Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the role, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined by an independent counsel or other entity unaffiliated with the City.

8. Non-Appropriation. The performance by the City of its obligations in this Undertaking shall be subject to the annual appropriation of any funds that may be necessary to permit such performance. In the event of a failure by the City to comply with its covenants under this Undertaking due to a failure to appropriate the necessary funds, the City covenants to provide prompt notice of such fact to the MSRB through EMMA, in a format prescribed by the MSRB.

9. Termination of Undertaking. This Undertaking shall be terminated hereunder if the City shall no longer have liability for any obligation or relating to repayment of the Bonds. The City shall give notice in a timely manner if this Section is applicable to the MSRB through EMMA, in a format prescribed by the MSRB.

10. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

11. Additional Information. Nothing in this Undertaking shall be deemed to prevent the City from disseminating any other information using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Undertaking. If the City chooses to include any information from any document or notice of occurrence of Listed Event in addition to that which is specifically required by this Undertaking, the City shall have no obligation under this Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Listed Event.

12. Beneficiaries. This Undertaking has been executed in order to assist the Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the City, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

13. Recordkeeping. The City shall maintain records of all Annual Information Disclosure and notices of occurrence of Listed Events including the content of such disclosure or notices, the names of the entities with whom such disclosure or notices were filed and the date of filing such disclosure or notices.

14. Governing Law. This Undertaking shall be governed by the laws of the State and is subject to the provisions of Section 38-511, Arizona Revised Statutes, as amended, the provisions of which are incorporated herein by this reference.

CITY OF FLAGSTAFF, ARIZONA

By____

Barbara Goodrich, Management
Services Director

Address: 211 West Aspen Avenue
Flagstaff, Arizona 86001-5399

Dated: [Closing Date]

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND AUDITED FINANCIAL STATEMENTS

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to the MSRB, in a format prescribed by the MSRB. If the information included by reference is contained in an Official Statement, the Official Statement must be available from the MSRB. The City shall clearly identify each such item of information included by reference.

The Annual Financial Information exclusive of the Audited Financial Statements will be provided to the MSRB through EMMA, in a format prescribed by the MSRB, if any, no later than the first business day of February in each year commencing February 1, 2015. The Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If the Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by the Audited Financial Statements when available.

The Audited Financial Statements will be prepared according to generally accepted accounting principles, as applied to governmental units as modified by State law. The Audited Financial Statements will be provided to the MSRB through EMMA, in a format prescribed by the MSRB, within 30 days after availability to the City.

If any change is made to the Annual Financial Information as permitted by Section 4 of this Undertaking, the City will disseminate a notice of such change as required by Section 4, including changes in fiscal year or accounting principles.

"Annual Financial Information" means the quantitative, financial information and operating data of the type included in the Final Official Statement relating to the Bonds on the following pages:

p. A-14 Record of Real and Secured Property Taxes Levied and Collected
p. A-15 Debt Limitation
p. A-16 General Obligation Bonded Debt Outstanding

EXHIBIT II

EVENTS FOR WHICH NOTICE OF OCCURRENCE
OF LISTED EVENTS IS REQUIRED

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

7. Modifications to rights of security holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the City;

    Note: for the purposes of the event identified in paragraph 12, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional Escrow Trustee or the change of name of a Escrow Trustee; if material.

APPENDIX D

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF FLAGSTAFF, ARIZONA
FOR THE FISCAL YEAR ENDED
June 30, 2013

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

THE INFORMATION PROVIDED UNDER THIS APPENDIX “BOOK-ENTRY-ONLY SYSTEM” HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE CITY, BOND COUNSEL, OR THE UNDERWRITER AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). Standard & Poor’s has given DTC a rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as defaults. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Escrow Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bond Registrar and Paying Agent for the Bonds (the "Paying Agent") initially The Bank of New York Mellon Trust Company, N.A. as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the Bonds will be made by the Paying Agent to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered through its Participant to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interests in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of Bonds in connection with an optional tender or mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Paying Agent or the City. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE AUTHORIZING RESOLUTION; (3) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (4) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE BONDS; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF BONDS; OR (6) ANY OTHER MATTERS.

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references herein to "Owner" or registered owners of the Bonds (other than under the captions "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the City or the Paying Agent to DTC only.

So long as Cede & Co. is the registered Owner of the Bonds, as nominee for DTC, references herein to "Owner" or registered owners of the Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the City or the Bond Registrar and Paying Agent to DTC only.