

AGENDA

4:30 P.M.

CITY OF SEDONA, CITY COUNCIL MEETING

TUESDAY, JANUARY 23, 2018

NOTES:

- Public Forum:
Comments are generally limited to **3 minutes**.
- Consent Items:
Items listed under Consent Items have been distributed to Council Members in advance for study and will be enacted by one motion. Any member of the Council, staff or the public may remove an item from the Consent Items for discussion. Items removed from the Consent Items may be acted upon before proceeding to the next agenda item.
- Meeting room is wheelchair accessible. American Disabilities Act (ADA) accommodations are available upon request. Please phone 928-282-3113 at least two (2) business days in advance.
- City Council Meeting Agenda Packets are available on the City's website at:

www.SedonaAZ.gov

GUIDELINES FOR PUBLIC COMMENT

PURPOSE:

- To allow the public to provide input to the City Council on a particular subject scheduled on the agenda.
- This is not a question/answer session.

PROCEDURES:




- Fill out a "Comment Card" and deliver it to the City Clerk.
- When recognized, use the podium/microphone.
- State your:
 1. Name and
 2. City of Residence
- Limit comments to **3 MINUTES**.
- Submit written comments to the City Clerk.

1. CALL TO ORDER/PLEDGE OF ALLEGIANCE/MOMENT OF SILENCE/ROLL CALL

2. CITY'S VISION

3. CONSENT ITEMS - APPROVE

LINK TO DOCUMENT = 

- a. Minutes - January 9, 2018 City Council Special Meeting. 
- b. Minutes - January 9, 2018 City Council Regular Meeting. 
- c. Approval of Proclamation - Keep Sedona Beautiful Day, January 31, 2018. 
- d. AB 2326 Approval of a Special Event Liquor License for Sedona Arts Center for a 60th anniversary dance party scheduled for Saturday, February 10, 2018, from 6:00 to 10:00 p.m. at The Sedona Arts Center Barn, 15 Art Barn Road, Sedona, AZ. 
- e. AB 2334 Approval of a Special Event Liquor License for a Sedona Chamber of Commerce & Tourism Bureau mixer scheduled for Thursday, February 15, 2018 from 5:30 to 7:00 p.m. located at Sedona Art Center, 15 Art Barn Road, Sedona, AZ. 

4. APPOINTMENTS

- a. AB 2337 Discussion/possible action regarding the appointment of a commissioner to the Historic Preservation Commission. 




5. SUMMARY OF CURRENT EVENTS BY MAYOR/COUNCILORS/CITY MANAGER

6. PUBLIC FORUM

(This is the time for the public to comment on matters not listed on the agenda. The City Council may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. § 38-431.01(H), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for further consideration and decision at a later date.)

7. PROCLAMATIONS, RECOGNITIONS & AWARDS - None.

8. REGULAR BUSINESS

- a. AB 2332 Presentation/discussion regarding the Annual Audit findings and Comprehensive Annual Financial Report (CAFR) for the City of Sedona for Fiscal Year 2016-17. 
- b. AB 2304 Discussion/possible direction regarding the City Council Small Grants Program Review Committee's recommendations for the City's Small Grants Program. 
- c. AB 2336 Discussion/possible action regarding proposed State legislation and its potential impact on the City of Sedona. 
- d. Reports/discussion on Council assignments.
- e. Discussion/possible action on future meeting/agenda items.

CITY COUNCIL CHAMBERS
102 ROADRUNNER DRIVE, SEDONA, AZ

The mission of the City of Sedona government is to provide exemplary municipal services that are consistent with our values, history, culture and unique beauty.

AGENDA

4:30 P.M.

CITY OF SEDONA, CITY COUNCIL MEETING

TUESDAY, JANUARY 23, 2018

Page 2, City Council Meeting Agenda Continued

9. EXECUTIVE SESSION

If an Executive Session is necessary, it will be held in the Vultee Conference Room at 106 Roadrunner Drive. Upon a public majority vote of the members constituting a quorum, the Council may hold an Executive Session that is not open to the public for the following purposes:

- a. To consult with legal counsel for advice on matters listed on this agenda per A.R.S. § 38-431.03(A)(3).
- b. Return to open session. Discussion/possible action on executive session items.

10. ADJOURNMENT

Posted: _____

By: _____

Susan L. Irvine, CMC
City Clerk

Note: Pursuant to A.R.S. § 38-431.02(B) notice is hereby given to the members of the City Council and to the general public that the Council will hold the above open meeting. Members of the City Council will attend either in person or by telephone, video, or internet communications. The Council may vote to go into executive session on any agenda item, pursuant to A.R.S. § 38-431.03(A)(3) and (4) for discussion and consultation for legal advice with the City Attorney. Because various other commissions, committees and/or boards may speak at Council meetings, notice is also given that four or more members of these other City commissions, boards, or committees may be in attendance.

A copy of the packet with material relating to the agenda items is typically available for review by the public in the Clerk's office after 1:00 p.m. the Thursday prior to the Council meeting and on the City's website at www.SedonaAZ.gov. The Council Chambers is accessible to people with disabilities, in compliance with the Federal 504 and ADA laws. Those with needs for special typeface print, may request these at the Clerk's Office. All requests should be made **forty-eight hours** prior to the meeting.

CITY COUNCIL CHAMBERS
102 ROADRUNNER DRIVE, SEDONA, AZ

The mission of the City of Sedona government is to provide exemplary municipal services that are consistent with our values, history, culture and unique beauty.

**Action Minutes
Special City Council Meeting
Executive Session
Vultee Conference Room, Sedona City Hall,
106 Roadrunner Drive, Sedona, Arizona
Tuesday, January 9, 2018, 3:30 p.m.**

1. Call to Order

Mayor Moriarty called the meeting to order at 3:30 p.m.

2. Roll Call

Roll Call: Mayor Sandy Moriarty, Vice Mayor John Martinez, Councilor John Currivan, Councilor Scott Jablow, Councilor Tom Lamkin, Councilor Jon Thompson, Councilor Joe Vernier.

Staff in attendance: City Manager Justin Clifton, Assistant City Manager Karen Osburn, City Attorney Robert Pickels, Jr., Associate City Attorney Rob Pollock, Director of Public Works & City Engineer Andy Dickey, Wastewater Manager Roxanne Holland, City Clerk Susan Irvine.

3. Executive Session

Motion: Councilor Lamkin moved to enter into Executive Session at 3:31 p.m. Seconded by Vice Mayor Martinez. Vote: Motion carried unanimously with seven (7) in favor and zero (0) opposed.

Upon a public majority vote of the members constituting a quorum, the Council may hold an Executive Session that is not open to the public for the following purposes:

- a. **Discussion and consultation with the City Attorney to consider the City's position and instruct its attorneys regarding a claim for property damage made by Hildegard Szuklitsch. This matter is brought in executive session pursuant to A.R.S. 38-431.03(A)(3) & (4).**
- b. **Return to open session. Discussion/possible action on executive session items.**

No action taken.

4. Adjournment

Mayor Moriarty adjourned the meeting at 4:10 p.m.

I certify that the above are the true and correct actions of the Special City Council Meeting held on January 9, 2018.

Susan L. Irvine, CMC, City Clerk

Date

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Action Minutes
Regular City Council Meeting
City Council Chambers, Sedona City Hall,
102 Roadrunner Drive, Sedona, Arizona
Tuesday, January 9, 2018, 4:30 p.m.

1. Call to Order/Pledge of Allegiance/Moment of Silence/Roll Call

Mayor Moriarty called the meeting to order at 4:30 p.m.

Roll Call: Mayor Sandy Moriarty, Vice Mayor Martinez, Councilor John Currivan, Councilor Scott Jablow, Councilor Tom Lamkin, and Councilor Jon Thompson, Councilor Joe Vernier.

Staff Present: City Manager Justin Clifton, Assistant City Manager Karen Osburn, City Attorney Robert Pickels, Jr., Associate City Attorney Rob Pollock, Assistant Director of Community Development Warren Campbell, Chief of Police David McGill, Arts and Culture Coordinator Nancy Lattanzi, City Clerk Susan Irvine.

2. City's Vision/Moment of Art

A video of the City's Vision was played.

Nancy Lattanzi introduced Arvel Bird, a national artist known as the "Celtic Indian" whose performances are a reflection of his mixed-blood American Indian and Celtic heritages. Mr. Bird uses violins, fiddles, Native flutes, and Irish whistles to weave a powerful tapestry of music and stories. Mr. Bird performed "Tribal Music Suite: Journey of a Paiute", a Celtic & Native American concerto for violin and Native American flute, that earned him Best Instrumental Album and Best Producer at the Canadian Aboriginal Music Awards.

3. Consent Items

- a. **Minutes - December 12, 2017 City Council Regular Meeting.**
- b. **Minutes - December 13, 2017 City Council Special Meeting.**
- c. **Minutes - December 14, 2017 City Council Special Meeting.**
- d. **AB 2322 Approval of a Special Event Liquor License for Red RockAppella for a concert and fundraiser scheduled for Saturday, February 17, 2018, from 1:00 to 8:00 p.m. at The Sedona Hub, 525B Posse Grounds Road, Sedona, AZ.**
- e. **AB 2323 Approval of a Special Event Liquor License for Rotary Club of Sedona Red Rocks for a beer tent in the finish line festival area of the Sedona Marathon scheduled for Saturday, February 3, 2018, from 8:00 a.m. to 5:00 p.m. on Navoti Drive, Sedona, AZ.**
- f. **AB 2324 Approval of a Special Event Liquor License for Red Earth Theatre for an art show closing and dance party scheduled for Friday, January 26, 2018, from 7:00 to 10:00 p.m. at The Sedona Hub, 525B Posse Grounds Road, Sedona, AZ.**
- g. **AB 2327 Approval of a Special Event Liquor License for Red Earth Theatre for a concert scheduled for Tuesday, February 13, 2018, from 5:00 to 9:00 p.m. at The Sedona Hub, 525B Posse Grounds Road, Sedona, AZ.**

- h. AB 2328 Approval of a Special Event Liquor License for Red Earth Theatre for a concert scheduled for Friday, February 16, 2018, from 6:00 to 9:00 p.m. at The Sedona Hub, 525B Posse Grounds Road, Sedona, AZ.**

Item 3h was pulled at the request of Susan Irvine as the event has been postponed and no action is required.

Motion: Councilor Lamkin moved to approve consent items 3a, 3b, 3c, 3d, 3e, 3f, and 3g. Seconded by Councilor Jablow. Vote: Motion carried unanimously with seven (7) in favor and zero (0) opposed.

4. Appointments

- a. AB 2330 Discussion/possible action regarding the reappointment of members to the Personnel Board.**

Presentation by Mayor Moriarty.

Motion: Councilor Lamkin moved to appoint Noel Marquis, Kathryn Losoff, and Kenneth Jepson to seats on the Personnel Board with terms beginning immediately and ending October 31, 2020 or until a successor is appointed, whichever is later. Seconded by Councilor Thompson. Vote: Motion carried unanimously with seven (7) in favor and zero (0) opposed.

5. Summary of Current Events by Mayor/Councilors/City Manager

Mayor Moriarty stated that the 30th anniversary of the incorporation of Sedona is in January and something may be done at a later date to celebrate this occasion. Vice Mayor Martinez urged people to check the City's website to learn about upcoming Parks & Recreation events. He also advised that approval has been received to add additional flags on 89A for holidays and the Marine Corps League is looking for volunteers to help installing them and contributions to help fund the flags and brackets. Councilor Thompson stated that the KSB speaker series on January 10th will cover the effect of animal agriculture on sustainability and will take place at 5:30 p.m. at 360 Brewer Road. The Sedona VegFest is scheduled for January 20th and 21st from 8:00 a.m. to 5:00 p.m. at the Sedona Performing Arts Center. Advance tickets are available at healthyworldsedona.com.

6. Public Forum

Tony Tonsich, Sedona, spoke about the Hub and objected to liquor licenses being issued to the venue when they are supported by City funds in competition with local businesses. He spoke about the traffic study which he felt was a waste of money. He also believes that the City looks into the interests of the Chamber first, the City staff second, and residents a distant third.

Julie Burnett, Sedona, spoke about the unregulated, billion dollar self-help industry and the dangers to participants. She requested that the City Council consider an ordinance to protect those who come to Sedona for health, healing, and spirituality.

7. Proclamations, Recognitions, and Awards – None.

8. Regular Business

- a. AB 2307 Presentation regarding the possible extension of the Yavapai County 1/4 cent jail tax.**

Presentation by Phil Bourdon, Yavapai County Administrator, Randy Garrison, Yavapai County Supervisor, and Captain Jeff Newnum, Yavapai County Sheriff's Office Detention Services Division.

Questions from Council.

Presentation only. No action taken.

- b. **AB 2331 Public hearing/discussion/possible action regarding a resolution and ordinance amending the City Tax Code Article IV to temporarily increase the City's Transaction Privilege Tax by .5%, and to dedicate those tax receipts to transportation projects and related administrative and operating expenses.**

Presentation by Justin Clifton and Robert Pickels, Jr.

Questions from Council.

Opened the public hearing at 6:03 p.m.

The following spoke on this item: Tony Tonsich, Sedona, Bill Chisholm, Sedona, Robert Pond, Sedona, Bruce Huelat, Sedona, and Jerry Showalter, Sedona.

Closed the public hearing and brought back to Council at 5:50 p.m.

Comments from Council.

Motion: Councilor Lamkin moved to approve Resolution No. 2018-01, creating a public record for the terms of proposed amendments to City Tax Code Article IV (privilege taxes). Seconded by Councilor Thompson. Vote: Motion carried with six (6) in favor and one (1) opposed. Councilor Currivan opposed.

Motion: After 1st reading, Councilor Lamkin moved to approve Ordinance No. 2018-01, amending the City Tax Code Article IV by temporarily increasing the privilege tax from three percent (3%) to three and one-half percent (3.5%) for a period not to exceed ten years, and to dedicate use of said increased tax proceeds towards transportation projects and related administrative and operating expenses. Seconded by Councilor Thompson. Councilor Lamkin amended the motion to replace "not to exceed ten years" with "of ten years". Councilor Thompson approved the amendment. Vote: Motion carried with six (6) in favor and one (1) opposed. Councilor Currivan opposed.

Break at 6:06 p.m. Reconvened at 6:23 p.m.

- c. **AB 2329 Discussion/possible action regarding proposed changes to the Planning and Zoning Commission's Operating Rules and Procedures.**

Presentation by Warren Campbell and Robert Pickels, Jr.

Questions from Council.

Comments from Council.

By majority consensus, Council agreed to send the rules back to the Planning & Zoning Commission with the City Council proposed edits and to review successive unexcused absences in Section 1.2.1 to possibly remove "successive" and, if changed, determine if the period for absences would be for a year or for their term.

- d. **AB 2321 Discussion/possible action regarding a resolution and ordinance amending the Sedona City Code, Chapter 5, relating to Short Term Rental Regulations.**

Presentation by Robert Pickels, Jr.

Questions and comments from Council.

Motion: Councilor Thompson moved to approve Resolution No. 2018-02, a Resolution of the Mayor and Council of the City of Sedona, Arizona, establishing as a public record the terms of proposed amendments to the City Code Chapter 5.25.010 (Short Term Rental Regulation) as amended. Seconded by Councilor Jablow. Vote: Motion carried unanimously with seven (7) in favor and zero (0) opposed.

Motion: After 1st reading, Councilor Thompson moved to approve Ordinance No. 2018-02, an Ordinance of the City of Sedona, Arizona, amending the City Code Chapter 5.25.010 (Short Term Rental Regulation); providing for a savings clause; and providing for repeal of any Ordinance or parts of Ordinances or Code provisions in conflict herewith as amended. Seconded by Councilor Jablow. Vote: Motion carried unanimously with seven (7) in favor and zero (0) opposed.

- e. **Reports/discussion on Council assignments – None.**

- f. **Discussion/possible action on future meeting/agenda items**

Councilor Thompson requested an agenda item for clarification of Proposition 202 funds and possibly designating the use of these funds. Vice Mayor Martinez supported this request. Councilor Jablow requested an agenda item for self-help regulations as requested earlier during public forum. Robert Pickels, Jr. advised that this would likely be addressed during this legislative session and felt this request might be premature.

9. Executive Session

Upon a public majority vote of the members constituting a quorum, the Council may hold an Executive Session that is not open to the public for the following purposes:

- a. **To consult with legal counsel for advice on matters listed on this agenda per A.R.S. § 38-431.03(A)(3).**
- b. **Return to open session. Discussion/possible action on executive session items.**

No Executive Session was held.

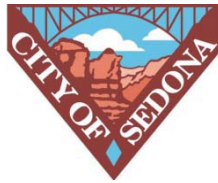
10. Adjournment

Mayor Moriarty adjourned the meeting at 7:11 p.m. without objection.

I certify that the above are the true and correct actions of the Regular City Council Meeting held on January 9, 2018.

Susan Irvine, CMC, City Clerk

Date



City of Sedona Proclamation Request Form

Full Name of Contact Person	Mike Yarbrough
Contact Phone Number	(928) 282-1090
Contact Mailing Address	15 HyView Lane, Sedona
Contact Email Address	michaelyarbrough3@gmail.com
Group, Organization, Activity or Event Being Recognized (Please make sure you provide complete and current information about the group or event)	Keep Sedona Beautiful, Inc.
Website Address (if applicable)	www.keeppedonabeautiful.org
Name of the sponsor(s) of the Proclamation (2 Council members or the City Manager)	Jon Thompson Justin Clifton
What is the proclaimed day, days, week or month? (e.g. 10/11/12, October 11-17, 2012, October 2012)	January 31, 2018
Would you like to attend a Council meeting for formal presentation of the Proclamation or would you like to pick it up?	<input checked="" type="checkbox"/> Presentation at Meeting <input type="checkbox"/> Pick up Proclamation
If you would like the Proclamation presented at a Council meeting, please provide the full name and contact information (phone number and email address) of the party who will accept it on behalf of the group.	KSB hopes that the proclamation can be presented to KSB at our Awards of Excellence celebration, to be held on January 31, 2018 between 4-6 PM at the KSB meeting room, 360 Brewer Road in Sedona.

Provide information about the organization/event including a mission statement, founding date, location and achievements.

The mission statement of KSB is "Keep Sedona Beautiful, Inc., acting through the stewardship of its members and volunteers, is committed to protect and sustain the unique scenic beauty and natural environment of the Greater Sedona Area."

For 45 years, Keep Sedona Beautiful has been a vehicle for positive change in the greater Sedona area. Our aim is to preserve the wonder of the Sedona area's scenic natural beauty now and in the future. Our activities range from education and advocacy to hands-on tasks such as litter lifting and preserving the quality of Oak Creek to maintaining Sedona's dark, star-studded night skies.

The impetus for our founding in 1972 was the realization that without strong community action, the lack of regulations on signage was resulting in a reputation as stated by the Arizona Republic as 'Honky-tonk, cluttered" Sedona. Signs were uncontrolled, and our highways were full of litter. KSB helped formulate the initial sign ordinance and began a robust litter lifter program which today keeps 70 miles of our roads clean.

Please explain why this Proclamation and any events accompanying it are important to the Community and are consistent with the City's vision statement and Community Plan goals. What is the clear reason for the Proclamation and why are you requesting this honor? What activities/events are planned around this Proclamation and how do you plan to promote this to the community?

KSB shares the the City of Sedona's vision giving priority to protecting the environment. We are a founding member of the Sustainability Alliance, sharing this priority with the City. We share the belief that our unique natural surroundings must be protected, for both current and future residents and visitors.

We believe that our founding principles, vision statement, and current programs support and enhance the vision of the City. The partnership that KSB has built with the City is an example for how a volunteer community organization can work collaboratively with the City to enhance the lives of all of our citizens.

Besides publicizing this proclamation in local media and in KSB communications, we will highlight the proclamation at our Awards of Excellence ceremony to be held at our offices on January 31, 2018.

Please include a draft of the proposed Proclamation with this request, preferably a Word file in electronic format.

*Office of the Mayor
City of Sedona, Arizona*



**Proclamation
Keep Sedona Beautiful Day, January 31, 2018**

WHEREAS, Keep Sedona Beautiful, whose mission is to protect and sustain the unique scenic beauty and natural environment of the Greater Sedona Area; has provided 45 years of service to the community; and

WHEREAS, Keep Sedona Beautiful volunteers have worked tirelessly to preserve the wonder of our natural environment, including the creation of Sedona's initial sign ordinance and the creation in 2006 of the covered load ordinance; and

WHEREAS, Keep Sedona's corps of litter lifting volunteers keeps 70 miles of roads in the greater Sedona area clean and free of trash; and

WHEREAS, Keep Sedona Beautiful works to enhance the natural beauty of Sedona through programs such as the Dark Sky initiative and to educate citizens through events such as the annual Native Plant Workshop and the Speaker Series; and

WHEREAS, Keep Sedona Beautiful was a founding member of the Sustainability Alliance and a strong supporter of the City of Sedona's focus on sustainability; and

WHEREAS, Keep Sedona Beautiful was a founding member of the Verde River Basin Partnership which promotes the use of unbiased science and education in sustaining our surface water and groundwater within the Verde River Basin.

NOW THEREFORE I, SANDY MORIARTY, MAYOR OF THE CITY OF SEDONA, ARIZONA, ON BEHALF OF THE SEDONA CITY COUNCIL, do hereby proclaim January 31, 2018 as Keep Sedona Beautiful Day in recognition of their 45 years of service to our community.

Issued this 23rd day of January, 2018.

Sandra J. Moriarty, Mayor

ATTEST:

Susan L. Irvine, CMC, City Clerk

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**CITY COUNCIL
AGENDA BILL**

**AB 2326
January 23, 2018
Consent Items**

Agenda Item: 3d
Proposed Action & Subject: Approval of a Special Event Liquor License for Sedona Arts Center for a 60th anniversary dance party scheduled for Saturday, February 10, 2018, from 6:00 to 10:00 p.m. at The Sedona Arts Center Barn, 15 Art Barn Road, Sedona, AZ.

Department	City Clerk
Time to Present	N/A
Total Time for Item	
Other Council Meetings	N/A
Exhibits	Special event Liquor License Application is available for review in the City Clerk’s office.

City Attorney Approval	Reviewed 1/16/18 RLP	Expenditure Required
		\$ 0
City Manager’s Recommendation	Approve a Special Events Liquor License for Sedona Arts Center.	Amount Budgeted
		\$ 0
		Account No. N/A (Description)
		Finance <input checked="" type="checkbox"/> Approval

SUMMARY STATEMENT

Background: State liquor laws require the City of Sedona’s governing body to approve or disapprove applications for a Special Event Liquor License [A.R.S. § 4-203.02.A].

The Sedona Arts Center has submitted an application for a Special Event Liquor License for a 60th anniversary dance party that is scheduled for February 10, 2018, from 6:00 to 10:00 p.m. at The Sedona Arts Center Barn, 15 Art Barn Road, Sedona, AZ.

A Special Event Liquor License is a temporary, non-transferable, liquor license with retail privileges that allows a political or non-profit entity to sell and serve spirituous liquor for consumption on the premises where the spirituous liquor is sold, and only for the period authorized on the license. The applicant for a special event license must fill out a special event application and file the application with the local governing body where the special event is to take place, for approval or disapproval. If the application is approved by the local governing body, and the event meets the requirements for granting the license, the director may issue a special event license to the qualifying organization. Qualifying organizations will

be granted a special event license for no more than ten (10) days in a calendar year. Events must be held on consecutive days and at the same location or additional licenses will be required. The license is automatically terminated upon closing of the last day of the event or the expiration of the license, whichever occurs first. The qualified organization must receive at least twenty-five percent (25%) of the gross revenues of the special events.

Community Development, Finance, Parks and Recreation, the Sedona Police Department (SPD), and Sedona Fire District (SFD) have conducted a review of the application. No objections were noted.

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): Do not approve a Special Event Liquor License for Sedona Arts Center for a 60th anniversary dance party scheduled for Saturday, February 10, 2018, from 6:00 to 10:00 p.m. at The Sedona Arts Center Barn, 15 Art Barn Road, Sedona, AZ.

MOTION

I move to: approve a Special Event Liquor License for Sedona Arts Center for a 60th anniversary dance party scheduled for Saturday, February 10, 2018, from 6:00 to 10:00 p.m. at The Sedona Arts Center Barn, 15 Art Barn Road, Sedona, AZ.



**CITY COUNCIL
AGENDA BILL**

**AB 2334
January 23, 2018
Consent Items**

Agenda Item: 3e
Proposed Action & Subject: Approval of a Special Event Liquor License for a Sedona Chamber of Commerce & Tourism Bureau mixer scheduled for Thursday, February 15, 2018, from 5:30 to 7:00 p.m. located at the Sedona Art Center, 15 Art Barn Road, Sedona, AZ.

Department	City Clerk
Time to Present	N/A
Total Time for Item	
Other Council Meetings	N/A
Exhibits	Special event Liquor License Application is available for review in the City Clerk's office.

City Attorney Approval	Reviewed 1/16/18 RLP	Expenditure Required	\$ 0
City Manager's Recommendation	Approve a Special Event Liquor License for the Chamber mixer February 15 at the Sedona Art Center.	Amount Budgeted	\$ 0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: State liquor laws require the City of Sedona's governing body to approve or disapprove applications for a Special Event Liquor License [A.R.S. § 4-203.02.A].

Sedona Chamber of Commerce has submitted an application for a Special Event Liquor License for a mixer that is scheduled for February 15, 2018, from 5:30 to 7:00 p.m. at Sedona Art Center, 15 Art Barn Road, Sedona, AZ.

A Special Event Liquor License is a temporary, non-transferable, liquor license with retail privileges that allows a political or non-profit entity to sell and serve spirituous liquor for consumption on the premises where the spirituous liquor is sold, and only for the period authorized on the license. The applicant for a special event license must fill out a special event application and file the application with the local governing body where the special event is to take place, for approval or disapproval. If the application is approved by the local governing body, and the event meets the requirements for granting the license, the director may issue a special event license to the qualifying organization. Qualifying organizations will

be granted a special event license for no more than ten (10) days in a calendar year. Events must be held on consecutive days and at the same location or additional licenses will be required. The license is automatically terminated upon closing of the last day of the event or the expiration of the license, whichever occurs first. The qualified organization must receive at least twenty-five percent (25%) of the gross revenues of the special events.

Community Development, Finance, Parks and Recreation, the Sedona Police Department (SPD), and Sedona Fire District (SFD) have conducted a review of the application. No objections were noted.

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): Deny approval of a Special Event Liquor License for a Sedona Chamber of Commerce & Tourism Bureau mixer scheduled for Thursday, February 15, 2018, from 5:30 to 7:00 p.m. located at the Sedona Art Center, 15 Art Barn Road, Sedona, AZ.

MOTION

I move to: approve the Special Event Liquor License for a Sedona Chamber of Commerce & Tourism Bureau mixer scheduled for Thursday, February 15, 2018, from 5:30 to 7:00 p.m. located at the Sedona Art Center, 15 Art Barn Road, Sedona, AZ.



**CITY COUNCIL
AGENDA BILL**

**AB 2337
January 23, 2018
Appointments**

Agenda Item: 4a
Proposed Action & Subject: Discussion/possible action regarding the appointment of a commissioner to the Historic Preservation Commission.

Department	City Clerk
Time to Present	N/A
Total Time for Item	2 minutes
Other Council Meetings	N/A
Exhibits	A. Application

City Attorney Approval	Reviewed 1/16/18 RLP	Expenditure Required	\$ 0
City Manager's Recommendation	Appoint James Curry to the Historic Preservation Commission.	Amount Budgeted	\$ 0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: The Historic Preservation Commission (HPC) advertised seeking applicants to fill one (1) open seat on the Commission with an application deadline of October 30 & November 30, 2017. The HPC terms are three-year terms. One (1) application was received for the seat held by Ann Jarmusch whose term expired on November 30, 2017.

The Selection Committee made up of Mayor Sandy Moriarty, Vice-Mayor John Martinez, and Commission Chair Brynn Burke Unger interviewed James Curry on January 8, 2018 and unanimously agreed to recommend James to a seat on the Historic Preservation Commission.

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): Repost for the vacant seat.

MOTION

I move to: appoint James Curry to a seat on the Historic Preservation Commission with a term beginning immediately and ending on October 30, 2020, or until a successor is appointed.

RECEIVED

NOV 16 2017

**Historic Preservation Commission
Application**



CITY OF SEDONA
City Clerk's Office
102 Roadrunner Drive Sedona, AZ 86336
(928) 282-3113 • Fax: (928) 204-7105

**Please read the following instructions carefully before filling out your application.
TYPE OR PRINT CLEARLY IN INK ONLY.**

All requested information must be furnished. If an item does not apply to you, or if there is no information to be given, write in the letters "N/A" for "Not Applicable".

A resume may be included with your application; however, you must complete all information requested on this application. Resume attached? Yes No

Name: James Curry

Mailing Address: [Redacted] Sedona AZ 86336

Phone: [Redacted] Cellular Phone: Same

Email Address: [Redacted]

Are there any days you are not be available for an interview? No

Are you a resident of the City of Sedona? Yes No
If yes, how many years? Two

Have you previously been appointed by the City of Sedona to any position or served on any commission, board, committee or citizen engagement working groups other than the Historic Preservation Commission? Yes No

If so, what group and for what length of time? NA

The Historic Preservation Commission is a voluntary body made up of seven citizens appointed by City Council. The Historic Preservation Commission was established by Sedona City Council to promote the protection, enhancement and perpetuation of properties and areas of historic, cultural, archaeological, and aesthetic significance.

Typically, the Historic Preservation Commission meets the second Monday of the month at 4:00 p.m., in the Vultee Conference Room at City Hall, 102 Roadrunner, Building #106, Sedona.

In answering the following questions, if more space is required, please attach a separate sheet of paper.

AM0082 40 113
CITY OF SEDONA
1027 N. ROADRUNNER DRIVE
SEDONA, AZ 86336
928-282-3113

Historic Preservation Commission Application



City Of Sedona City Clerk's Office
102 Roadrunner Drive Sedona, AZ 86336
(928) 282-3113 • Fax: (928) 204-7105

1. Background experience and knowledge.

In 1998, the Arizona State Historic Preservation Office (SHPO) designated the City of Sedona as a Certified Local Government. To satisfy the City's Certified Local Government (CLG) Agreement with the SHPO, it is preferable that all Historic Preservation Commission members have experience or knowledge in at least one of the following areas: history, architectural history, architecture, historic interiors, historic architecture, planning, archaeology, historic archaeology, real estate, historic preservation law, or other historic preservation related field. **Which categories do you have experience and/or knowledge, check all that apply:**

- Archaeologist/Archaeology
- Architect/Architecture/Architectural History
- Historian/History
- Real Estate
- Building Construction
- Historic Preservation Law
- Conservation/Preservation
- Land Use Planning
- Other related field (please explain) _____

2. Please explain your related experience or knowledge.

I have been a small scale residential real estate developer for approximately 10 years. I am a licensed real estate professional in both Arizona and Florida. As part of my development work, I have acquired and restored a number of vintage homes including: a 1966 West Indies, a 1927 Mediterranean Revival know as The Founder's House and two mid-century houses both built in 1950 one of which is know as Curson House. Three of these properties were potential tear-downs prior to our intervention. As a result of my work, I am knowledgeable with most building trades and permit processes. I have also been involved with successful variance petitions as well as most aspects of real estate law.

3. What are your perceptions of the duties, responsibilities and role of the Historic Preservation Commission?

To preserve and enhance the history of Sedona within the context of continued growth, both commercial and residential. An important part of what makes Sedona so special is it's unique and interesting history. This history is most often manifested in the City's historic buildings and property but also includes the telling and presenting of true stories that keep this history alive.

**Historic Preservation Commission
Application**



City Of Sedona City Clerk's Office
102 Roadrunner Drive Sedona, AZ 86336
(928) 282-3113 · Fax: (928) 204-7105

4. What do you hope to accomplish as a Commission/Board member?

I would hope to contribute a positive perspective to the team and City that helps accomplish the Commission's mission. Specifically, I would like to look for ways to further the awareness of Sedona's history with the objective of enhancing the City's value for both the business and residential communities.

5. How much time are you willing to devote to this position if you are appointed?

Since I am semi-retired, I have plenty of available time.

6. What is your understanding of the Sedona Community Plan pertaining to Historic Preservation?

The Community Plan has a clear vision of protecting one of the most unique and beautiful places on earth. Historic preservation is focused on protecting the City's legacy and is therefore a vital extension of this vision.

7. What is your understanding of the Land Development Code's ordinance pertaining to Historic Preservation?

I have read the entire ordinance and understand it fully. The ordinance seeks to clearly articulate the purpose, design and function of the Commission and to provide the public with clear rules and guidelines regarding, among others:

- * How property or districts may be designated historic
- * How historic properties may be altered, maintained or eliminated
- * The process by which the public will interact on these issues with the Commission and the City

**Historic Preservation Commission
Application**



City Of Sedona City Clerk's Office
102 Roadrunner Drive Sedona, AZ 86336
(928) 282-3113 · Fax: (928) 204-7105

8. If not currently a member of the Historic Preservation Commission, have you attended any Historic Preservation Commission meetings, and if so how many?

None so far but I have attend three Planning & Zoning Commission meetings and I provided written perspective on technical options with regard to the cell phone tower issue.

9. What do you perceive are the top three issues facing the Historic Preservation Commission? Please consider both long and short-term issues.

1. Balancing preservation with the desire for the community's economic growth
2. Seeking funding for potential acquisitions, incentives and maintenance
3. Encouraging citizen and private sector involvement in the preservation process

10. Are there any projects that you are personally interested in as a Historic Preservation Commission member?

I currently have limited knowledge of potential preservation opportunities in Sedona but I am curious about how the early residents made their way to and from the area and the original roads and trails they constructed and used.

11. What is your understanding of a Certified Local Government (CLG) and how do you feel it relates to the Historic Preservation Commission?

Being a Certified Local Government means that a city is committed to historic preservation. This includes establishing an historic preservation commission, enforcing state and local laws for designation and protection of local historic properties, maintaining an active survey of local historic resources and providing for public participation in the local historic preservation process.

Historic Preservation Commission Application



City Of Sedona City Clerk's Office
102 Roadrunner Drive Sedona, AZ 86336
(928) 282-3113 • Fax: (928) 204-7105

Additional information. If you would like to explain or elaborate on the experiences or professional qualifications you have checked, please use this space:

Besides my background in real estate development, I was also a partner of the major, multinational advertising firm, Leo Burnett, where I held positions of increasing responsibility both in and outside of the United States. This included Regional Director for Latin America, CEO and Country Manager in New Zealand and Corporate Senior Vice President at Leo Burnett HQ in Chicago. I am also the founder and director of the Leo Burnett Corporate Alumni Association that I started with five members in the US and built to over 2,200 members worldwide.

I am fluent in Spanish and hold a US patent for advanced e-mail technology.

My undergraduate work was accomplished at the University of Southern Mississippi and my graduate studies were completed at Northwestern University, Kellogg School of Management.

To learn more about the Historic Preservation Commission's particular responsibilities, contact Warren Campbell, Assistant Director, Sedona Community Development Department at 928-203-5044 or email WCampbell@SedonaAz.gov.

Please return your completed application to the City Clerk's Office at Sedona City Hall located at 102 Roadrunner Drive, Sedona, AZ 86336. For more information about the application, interview, and selection process, please call (928) 282-3113.

Thank you for your interest in serving on Sedona's Historic Preservation Commission.

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**CITY COUNCIL
AGENDA BILL**

**AB 2332
January 23, 2018
Regular Business**

Agenda Item: 8a
Proposed Action & Subject: Presentation/discussion regarding the Annual Audit findings and Comprehensive Annual Financial Report (CAFR) for the City of Sedona for Fiscal Year 2016-17.

Department	Financial Services
Time to Present	20 minutes
Total Time for Item	60 minutes
Other Council Meetings	N/A
Exhibits	<ul style="list-style-type: none"> A. Comprehensive Annual Financial Report B. Annual Expenditure Limitation Report C. Governance Communication D. Internal Control Communication E. HURF Audit Report F. PowerPoint Presentation

City Attorney Approval	Reviewed 1/16/18 RLP	Expenditure Required
		\$ 0
City Manager's Recommendation	NA—presentation and discussion only	Amount Budgeted
		\$ 0
		Account No. N/A (Description)
		Finance Approval <input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background:

An annual audit of municipal operations is required by State law and must include a financial statement of all accounts and funds of the City. It is the responsibility of the accounting firm to audit the City in accordance with auditing standards generally accepted in the U.S. and those contained in the *Government Auditing Standards*, issued by the Comptroller General of the U.S. The standard that the independent audit firm must meet is reasonable assurance about whether the City's financial statements are free from material misstatement.

The CAFR is available to the public on the City's website and the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board (MSRB). The CAFR plus the Annual Expenditure Limitation Report have also been submitted to the Arizona State Office of the Auditor General.

Sandy Cronstrom of CliftonLarsonAllen LLP will be present to discuss the City's CAFR and audit reports to the City Council. A presentation will be made regarding an overview of the City's financial status as of the fiscal year end on June 30, 2017.

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): N/A

MOTION

I move to: presentation and discussion only, no action required.

2017

CAFR



COMPREHENSIVE ANNUAL Financial Report SEDONA, ARIZONA for fiscal year ended June 30, 2017



CITY OF SEDONA, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2017

Prepared by:
Financial Services Department

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INTRODUCTORY SECTION

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102 Roadrunner Drive
Sedona, AZ 86336
TDD (928) 204-7102
www.SedonaAZ.gov

December 15, 2017

Honorable Mayor, City Council and Citizens of Sedona, Arizona:

We are pleased to submit to you the fiscal year 2017 Comprehensive Annual Financial Report (CAFR) for the City of Sedona, Arizona (the City) in accordance with Arizona Revised Statutes, Section 9-481. The report was prepared by the Financial Services Department and reviewed by the City Manager.

This document represents management's report to its governing body, constituents, legislative and oversight bodies, and investors and creditors. Copies of this report will be sent to elected officials, management personnel, bond rating agencies, Nationally Recognized Municipal Securities Information Repositories, and other agencies that have expressed an interest in the City's financial matters. Copies of this financial report will also be placed in the local library and on the City's website for use by the general public.

Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. The City has established and maintains a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of financial statements. We believe the data, as presented in this report, is accurate in all material respects, and is presented in a manner which fairly sets forth the financial position and results of operations of the City on both a city-wide and fund basis. Furthermore, we believe that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity and financial stability have been included.

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

An independent firm of certified public accountants, CliftonLarsonAllen LLP, whose report is included herein, has examined the basic financial statements and related notes. As stated in the independent auditors' report, the goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Sedona, Arizona for the fiscal year ended June 30, 2017, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the financial statements for the City of Sedona, Arizona for the fiscal year ended June 30, 2017, are fairly presented, in all material respects, and are in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of the report.

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

The Financial Reporting Entity

The City of Sedona incorporated in 1988 as a Council-Manager form of government with a seven member City Council, consisting of a Mayor and six Council Members. The position of Mayor is elected to a two-year term with Council Members being elected to four-year staggered terms. The City Council is vested with policy and legislative authority and is responsible for passing ordinances, adopting the budget, appointing committee, commission, and board members, and appointing the positions of City Manager, City Attorney, and Magistrate Judge. The City Manager is responsible for carrying out the policies and enforcing the ordinances of the City Council, as well as overseeing the day-to-day operations of the City.

The City encompasses approximately 19 square miles and is located in both Yavapai and Coconino Counties. The estimated current population is approximately 10,397. The City has attempted to manage its growth in a way to maintain its character. The City's population has decreased slightly since its peak of 11,436 in 2009. Based on current projections, population growth trends are expected to continue to be relatively flat. This low growth will continue to present challenges to the City in providing its current high level of services.

The City's economy is primarily tourism focused with the majority of local operating revenue being generated through bed and sales taxes. Tourist activity has returned to and exceeded pre-recession levels; the rate of growth is expected to be slow but steady over the next several years.

The City provides a full range of municipal services, including police protection, sewer services, construction and maintenance of streets, recreational and culture events, planning and zoning services, and general administrative services. Sedona offers community facilities including a swimming pool, a community park, and neighborhood parks. In an attempt to provide a greater range of services, the City has partnered with six local non-profit organizations to provide various community services that otherwise would not be cost-effective to operate as a City function. Some partner-operated functions include library services, community center operations, visitor's center, destination marketing, and recycling services.

Financial Controls

Internal Controls

As previously noted, the management of the City of Sedona is responsible for establishing and maintaining a system of internal control. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

- 1) Safeguarding of assets against loss from unauthorized use or deposition, and
- 2) Reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes:

- 1) The cost of a control should not exceed the benefits likely to be derived, and
- 2) The valuation of costs and benefits requires estimates and judgments by management.

The system of internal controls is subject to periodic evaluation by management and is also considered by the independent auditors in connection with the annual audit of the City's financial statements. All internal control evaluations occur within the above framework. The City's internal accounting controls are considered to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls

The City of Sedona, like all cities in the State of Arizona, is subject to numerous budget and related legal requirements. Article IX, Section 20(1) of the Arizona Constitution sets limits on the City's legal budget capacity. The City currently operates under the Alternative Expenditure Limitation – Home Rule Option. This option allows the City Council to establish the budgetary limits locally. The voters must authorize this option every four years. The citizens of Sedona re-authorized it in August 2014.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated operating budget approved by the Mayor and Council. Activities of the General Fund, Special Revenue Funds, Capital Projects Funds, and Enterprise Fund, are included in the annual appropriated budget. The legal level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the total operating budget, as adopted by the City Council. The City additionally exercises management control and oversight of the budget at the department level within each fund. In addition to maintaining budgetary control via a formal appropriation, the City maintains an encumbrance accounting system. Encumbrances are made against appropriations upon the issuance of a purchase order. Encumbered appropriations lapse at fiscal year-end and are re-budgeted as needed in the next fiscal year.

Local Economic Condition and Outlook

The City has continued to see positive revenue growth and strong recovery from the last recessionary period. Overall, fiscal year 2017 was a successful year. Revenues exceeded conservative budget estimates by approximately six percent and were budgeted at a nine percent increase for fiscal year 2018 (excluding indirect allocation charges to be implemented in fiscal year 2018).

Economic Outlook

Retail Sales: The City of Sedona places a heavy reliance on City-collected sales tax and the economy is heavily driven by tourism and the generation of sales taxes from tourism related activities and sales of high-end commodities such as art pieces and jewelry. Overall, sales tax revenues comprise approximately 65 percent of the General Fund revenues. The City's sales tax rate is currently at three percent. The City subsidizes the Wastewater Enterprise Fund with 25 percent of its sales tax revenues to help pay most of the debt service on debt the City has incurred for the original construction as well as upgrades to the capacity at the plant and extensions of the sewer lines. Sales tax revenues increased nine percent over the prior fiscal year and are expected to increase moderately over the next several years.

The City also has a 3.5 percent bed tax (transient occupancy), which is allocated to the General Fund. The bed tax rate was increased from 3 percent to 3.5 percent effective January 1, 2014. State statutes require the proceeds from the 0.5 percent rate increase be used exclusively for the promotion of tourism. The City Council has committed 55 percent of the proceeds of the bed tax to the promotion of tourism, including a destination marketing program. The marketing program is focused on increasing interest and visitation to Sedona as a destination with local options for many types of activities and attractions. The Sedona Tourism Bureau kicked off the program in mid-July 2014. Since the program began, it has exceeded all expectations. For fiscal year 2017, bed tax revenue exceeded the prior year actuals by 27 percent. In addition, the State passed legislation taking away the City's authority to prohibit short-term residential rentals effective January 1, 2017. The increase in revenue collections for transient occupancy is also attributable to this legalization of short-term residential rentals.

State Shared Revenues: The City of Sedona receives significant revenue allocations from the State. These "State shared revenues" include allocations of the State-collected income tax, sales tax, gas tax and motor vehicle in-lieu taxes. A significant amount of this revenue is placed in the City's General Fund, where it is used to support a large portion of the City's day-to-day activities. State shared revenue represents approximately 11 percent of the City's total General Fund revenue. The State shared revenue formulas generally allocate revenues based on the most recent annual population estimates from the U.S. Census Bureau. Since the City's population has been relatively flat and many other municipalities in Arizona are growing, it is expected that the City's portion of State shared revenues will decrease and any increases in the City's share of the revenues will be a result of overall increases in the State shared revenue pools.

Long-Term Financial Planning

The City continues to update its long-term financial plan. In reviewing the long-term fiscal outlook for the City, the City has sufficient revenues to meet its demands for services and to fund day-to-day operations. Since the City's primary economic driving force is tourism and since tourism can be significantly affected by economic cycles, the City's long-range forecasts include assumptions of future recessionary periods based on a combination of information from various economists.

The City maintains a multi-year capital budget planning process that was extended from six years to ten years in the fiscal year 2018 budget process. The City's goal is to focus on ensuring that a minimum of the first three years of the plan are fully funded; however, the City has continued to spend down its reserves to fund capital infrastructure projects. In addition, a transportation master plan was recently completed by a consulting firm and contains many significant capital projects to address the City's transportation needs.

Due to the anticipated significance of the transportation projects and the lack of a significant dedicated funding source for capital projects, a citizens work group, focused on long-term fiscal sustainability and facilitated by the Assistant City Manager and the Director of Financial Services, was tasked with identifying options and providing recommendations for future funding to meet operational and/or capital infrastructure needs. The work group recommended increasing the City's sales tax rate, with the increase to be dedicated to the transportation projects and related administrative and operational costs with a ten year sunset provision. After some preliminary decisions regarding the approach to the transportation projects recommended by the consulting firm, a half-cent sales tax increase has been proposed to the City Council, and a public hearing will be conducted on December 12, 2017.

Financial Policies

The long-range forecast is updated annually for revenues and expenditures/expenses for the City's major funds. The forecasts are prepared to examine the City's ability to absorb operating costs due to changes in the economy, service demands, and capital improvements. The forecast includes revenue that is reasonably considered to be sustainable over the forecast period. Expenditure projections include anticipated operating impacts of capital improvement expenditures that are included in the Capital Improvement Program. This long-range process serves to define the critical issues and priorities and incorporates the City's Community Plan and long-term vision.

These strategies have allowed the City to maintain its strong operating cash position. The City's policy reserves are fully funded and surplus General Fund balances were transferred to the Capital Improvements Fund to support capital infrastructure projects. The citizens work group's evaluation of fiscal sustainability included a review of the City's fund balance policy and the development of a debt management policy. The most significant change in the fund balance policy is to decrease the General Fund operating reserve from a range of 50 to 75 percent of operating expenditures to a target of 30 percent of operating expenditures. Once adopted by Council, these policies will be effective in fiscal year 2018.

Major Initiatives and Service Efforts and Accomplishments for the Year

During fiscal year 2017, the City continued to invest in programs and amenities that keep Sedona a livable community. The following are some of the service efforts and accomplishments of the City during fiscal year 2017:

Police

- 52 percent reduction in vehicle burglaries.
- 15 percent reduction in vehicle collisions.
- 13 percent reduction in identity thefts.
- 9 percent reduction in stolen vehicles.
- Police volunteers donated over 4,000 hours to provide prisoner/evidence transportation, house watch, crime scene/traffic control assistance and special event services.

Public Works

- Completed Wastewater Reclamation Plant upgrades and two injection wells to allow treatment and disposal of up to 1.63 million gallons of wastewater per day.
- Completed Posse Grounds Pavilion, an outdoor performance venue.
- Completed Posse Grounds Park Fitness Trail, renovating six fitness stations.
- Completed designs for Posse Grounds Dog Park upgrades, resurfacing and water stations.
- Completed flood control mitigation at Tlaquepaque, Brewer Road and Coffee Pot Drive.
- Completed Uptown pedestrian access improvements.

Management Services

- Worked with merchants and other stakeholders to implement paid parking on Main Street in Uptown.
- Initiated a citizen work group to look at long-term capital needs and funding options.
- Upgraded city's Storage Area Network (SAN) to state-of-the-art Solid State Drive array, supporting data compression and data de-duplication, with total capacity up to 11TB.
- Hired an Economic Development Director and initiated an economic development strategic plan.

Community Development

- Completed the Soldiers Pass and Western Gateway Community Focus Area (CFA) plans.
- Initiated a comprehensive update of the Sedona Land Development Code.
- Initiated a comprehensive update of the Sign Code.
- Over 470 code enforcement cases processed.
- Completed approximately 1,800 building inspections.

Parks & Recreation

- Offered 92 days of events in one year.
- Began operations of the Posse Grounds Pavilion.
- Assumed responsibility for the 47th Annual St. Patrick's Day Parade.

Wastewater

- Completed preparation for receipt of power from Hoover Dam to begin in October 2017.
- Initiated an update of the Wastewater Master Plan.
- Installed a new odor control facility to reduce odor in Oak Creek Mobilodge.
- Collected and processed approximately 1.1 million gallons per day of wastewater.

For the Future

The City's financial and operational plans will continue to support basic government services including roads, police, sewer and parks and recreation. In addition, the Council has continued the process to assist in the identification, prioritization, and management of emerging strategic issues that, by virtue of their scope, complexity, and/or potential impact, require a coordinated multi-department action plan and budget. The City Council works closely with City management to implement specific objectives and tasks designed to meet these goals.

The City Council established the current list of priorities as part of the fiscal year 2018 budget process. The City Council categorized priorities as either "high," "medium," or "low." Some of the fiscal year 2018 priorities include initiation of transportation improvements, updating the Land Development Code, initiation of a building code update, developing several community focus area (CFA) specific area plans, developing strategies for sustainable tourism and environmental sustainability, and preparation for next Alternative Expenditure Limitation – Home Rule election.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sedona, Arizona for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. This was the 18th year that the City of Sedona has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents must conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

Awards and Acknowledgments (Continued)

The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the efficient and dedicated services of the staff of the City Manager and Financial Services Departments. We also wish to thank the members of the City Council for their interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Sincerely,

A handwritten signature in blue ink that reads "Justin Clifton". The signature is written in a cursive style with a long horizontal flourish at the end.

Justin Clifton
City Manager

A handwritten signature in blue ink that reads "Karen Osburn". The signature is written in a cursive style with a long horizontal flourish at the end.

Karen Osburn
Assistant City Manager

**CITY OF SEDONA, ARIZONA
LIST OF ELECTED AND APPOINTED OFFICIALS
JUNE 30, 2017**

Sandy Moriarty
Mayor

John Martinez
Vice Mayor

Councilmembers

John Currivan

Scott Jablow

Tom Lamkin

Jon Thompson

Joe Vernier

Justin Clifton
City Manager

Karen Osburn
Assistant City Manager

Cherie R. Wright
Director of Financial Services



Government Finance Officers Association

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

Presented to

**City of Sedona
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of Sedona, Arizona
Sedona, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sedona, Arizona, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sedona, Arizona as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and Streets Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

The Honorable Mayor and the City Council
City of Sedona, Arizona

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
December 15, 2017

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

This section of the City of Sedona, Arizona's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the basic financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal years 2017 and 2016 are as follows:

- ! The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2017 and 2016 by \$126.4 million and \$118.6 million (net position), respectively. Of these amounts, \$20.7 million and \$18.7 million (unrestricted net position), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- ! Total net position increased by \$7.8 million during fiscal year 2017 and increased \$7.6 million during fiscal year 2016.
- ! As of June 30, 2017 and 2016, the City's governmental funds reported combined ending fund balances of \$27.5 million and \$26.3 million, respectively, which were comprised of nonspendable, restricted, committed, assigned, and unassigned fund balances.
- ! At the close of fiscal year 2017, unassigned fund balance for the General Fund was \$8.5 million, or 49.3% of actual operating expenditures.
- ! During fiscal year 2017, the City's total bonded debt decreased by \$4.3 million due to scheduled principal payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements, and
3. Notes to basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include basic services such as general government, public safety, and streets. The business-type activities of the City include wastewater operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also three legally separate entities: the Sedona Wastewater Municipal Property Corporation (SWMPC) and the Fairfield and Summit II Community Facilities Districts (Districts). Although legally separate from the City, these component units are blended with the primary government because of their governance or financial relationship to the City.

The government-wide financial statements can be found beginning on page 23 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into the following two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in determining what financial resources are available in the near future to fund the City's programs.

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

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The City maintains several individual governmental funds organized according to their type (general fund, special revenue, and capital projects). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Streets Fund and Capital Improvement Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements in a separate section of this report. The basic governmental fund financial statements begin on page 25 of this report.

Proprietary Funds – Proprietary funds are generally used to account for services for which the City charges customers. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains only one type of proprietary fund – enterprise funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for the wastewater operations of the City.

The proprietary fund financial statements begin on page 31 of this report.

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements. The notes to basic financial statements begin on page 35 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes and other schedules, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees, including the Schedule of the City's Proportionate Share of the Net Pension Liability, Schedule of Changes in the City's Net Pension Liability and Related Ratios, Schedule of City Pension Contributions and Schedule of Agent Other Post-Employment Benefits (OPEB) Plans' Funding Progress. This information can be found beginning on page 72 of this report.

Combining Statements

The combining statements referred to earlier, in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions and OPEB.

Government-Wide Financial Analysis

Net Position

While this document contains information about the funds used by the City to provide services to our citizens, the Statement of Net Position and the Statement of Activities serve to provide an answer to the question of how the City, as a whole, did financially throughout the year. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year revenues and expenses regardless of when the cash is received or paid.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

These two statements report the City's net position and the changes in net position. The change in net position is important because it tells the reader whether the financial position of the City as a whole has improved or diminished. However, in evaluating the overall net position of the City, nonfinancial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

Net position may serve as a useful indicator of a government's financial position. Net position was \$126.4 million and \$118.6 million at the close of the fiscal year 2017 and 2016, respectively.

**City of Sedona, Arizona
Condensed Statement of Net Position
June 30, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 31,401,321	\$ 29,648,598	\$ 20,343,846	\$ 20,793,889	\$ 51,745,167	\$ 50,442,487
Capital Assets:						
Nondepreciable	12,776,270	12,046,988	16,806,508	20,146,583	29,582,778	32,193,571
Depreciable	28,496,345	25,985,064	81,265,572	78,433,020	109,761,917	104,418,084
Total Assets	72,673,936	67,680,650	118,415,926	119,373,492	191,089,862	187,054,142
Deferred Outflows of Resources	4,149,971	2,804,016	390,648	341,152	4,540,619	3,145,168
Other Liabilities	3,256,578	2,816,344	6,139,964	7,195,986	9,396,542	10,012,330
Noncurrent Liabilities:						
Net Pension Liability	12,721,707	10,730,281	989,249	937,607	13,710,956	11,667,888
Due Within One Year	1,645,298	763,053	3,978,939	4,610,239	5,624,237	5,373,292
Due in More Than One Year	9,159,407	10,162,053	29,867,063	33,078,767	39,026,470	43,240,820
Total Liabilities	26,782,990	24,471,731	40,975,215	45,822,599	67,758,205	70,294,330
Deferred Inflows of Resources	1,326,184	1,225,257	120,393	79,180	1,446,577	1,304,437
Net Position:						
Net Investment in Capital Assets	30,918,472	27,547,603	70,267,474	65,972,609	101,185,946	93,520,212
Restricted	4,554,465	6,399,927	-	-	4,554,465	6,399,927
Unrestricted	13,241,796	10,840,148	7,443,492	7,840,256	20,685,288	18,680,404
Total Net Position	\$ 48,714,733	\$ 44,787,678	\$ 77,710,966	\$ 73,812,865	\$ 126,425,699	\$ 118,600,543

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, equipment, and infrastructure) less depreciation and any related debt used to acquire those assets, of \$101.2 million (80%) and \$93.5 million (78.8%) for the fiscal years 2017 and 2016, respectively. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for appropriation. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the City's net position, \$4.6 million (3.6%) for fiscal year 2017 and \$6.4 million (5.4%) for fiscal year 2016, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position for fiscal years 2017 and 2016, \$20.7 million (16.4%), and \$18.7 million (15.8%) respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of both the current and previous fiscal years, the City was able to report positive balances in all three categories of net position for the governmental activities and business-type activities.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Changes in Net Position

The City's net position increased by \$7.8 million and \$7.6 million during the fiscal years 2017 and 2016, respectively. These changes are explained in the governmental and business-type activities discussion below.

**City of Sedona, Arizona
Statement of Activities
Fiscal Years Ended June 30, 2017 and June 30, 2016**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2017	2016	2017	2016	2017	2016	
REVENUES							
Program Revenues:							
Charges for Services	\$ 812,123	\$ 815,294	\$ 5,934,888	\$ 6,349,506	\$ 6,747,011	\$ 7,164,800	(5.8)%
Operating Grants and Contributions	1,213,350	1,056,235	-	-	1,213,350	1,056,235	14.9
Capital Grants and Contributions	1,924,413	1,177,321	1,167,388	-	3,091,801	1,177,321	162.6
General Revenues:							
Local Taxes	21,401,345	19,416,918	-	-	21,401,345	19,416,918	10.2
State Revenue Sharing	2,827,806	2,734,108	-	-	2,827,806	2,734,108	3.4
Investment Earnings	159,363	307,030	78,287	179,734	237,650	486,764	(51.2)
Gain on Sale of Capital Assets	-	11,806	-	-	-	11,806	(100.0)
Other	107,960	78,629	13,116	-	121,076	78,629	54.0
Total Revenues	<u>28,446,360</u>	<u>25,597,341</u>	<u>7,193,679</u>	<u>6,529,240</u>	<u>35,640,039</u>	<u>32,126,581</u>	
EXPENSES							
General Government	6,103,129	6,564,561	-	-	6,103,129	6,564,561	(7.0)
Public Safety	5,357,797	4,353,279	-	-	5,357,797	4,353,279	23.1
Public Works and Streets	4,534,423	3,025,476	-	-	4,534,423	3,025,476	49.9
Culture and Recreation	1,928,332	1,810,593	-	-	1,928,332	1,810,593	6.5
Community and Economic Development	2,261,269	1,336,234	-	-	2,261,269	1,336,234	69.2
Interest on Long-Term Debt	296,144	319,545	-	-	296,144	319,545	(7.3)
Wastewater	-	-	7,333,789	7,137,688	7,333,789	7,137,688	2.7
Total Expenses	<u>20,481,094</u>	<u>17,409,688</u>	<u>7,333,789</u>	<u>7,137,688</u>	<u>27,814,883</u>	<u>24,547,376</u>	
CHANGE IN NET POSITION							
INCOME BEFORE TRANSFERS	7,965,266	8,187,653	(140,110)	(608,448)	7,825,156	7,579,205	3.2
Transfers	(4,038,211)	(4,497,550)	4,038,211	4,497,550	-	-	
CHANGE IN NET POSITION	<u>3,927,055</u>	<u>3,690,103</u>	<u>3,898,101</u>	<u>3,889,102</u>	<u>7,825,156</u>	<u>7,579,205</u>	
Net Position - Beginning of Year	44,787,678	41,097,575	73,812,865	69,923,763	118,600,543	111,021,338	6.8
NET POSITION - END OF YEAR	<u>\$ 48,714,733</u>	<u>\$ 44,787,678</u>	<u>\$ 77,710,966</u>	<u>\$ 73,812,865</u>	<u>\$ 126,425,699</u>	<u>\$ 118,600,543</u>	

Governmental Activities – In fiscal year 2017, governmental activities increased the net position of the City by \$3.9 million. Total revenues increased \$2.8 million (11%) from fiscal year 2016. Program revenues, which are comprised of charges for services, operating and capital grants and contributions, increased \$0.9 million or (29%) primarily due to an increase in capital grants and contributions. General revenues, which include local taxes, state revenue sharing, investment income and other revenues, increased \$1.9 million or (9%) due to an increase in tax revenues.

Local taxes increased by \$2.0 million (10.2%) primarily due to an improved economy which included increased tourism and consumer spending. In addition, the increase was partly due to a change in legislation taking away the City's authority to prohibit short-term residential rentals effective January 1, 2017.

Capital grants and contributions increased \$0.7 million (63%) due to significant one-time development impact fees and outside participation in sharing of significant drainage improvement costs.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Expenses increased \$3.1 million, or 18%. Public Safety expenses increased due to increases in pension costs. Public Works and Streets expenses increased due to an increase in the streets rehabilitation and pavement preservation program. Economic Development expenses increased due to implementation of an economic development program that focuses on other industries besides tourism, as well as an increase in the costs associated with the destination-marketing program and support of the Chamber of Commerce.

Business-Type Activities – Business-type activities increased the City's net position by \$3.9 million in fiscal year 2017. Income from operations increased \$0.7 million and expenses increased by \$0.2 million. Overall, the increase in revenues was related to an increase in the wastewater rates approved by the City Council, as well as one-time significant capacity fees. The increase in expenses was primarily related to an increase in depreciation resulting from the completion of the plant upgrade.

Financial Analysis of the City's Funds

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

Governmental Funds – Funds are created and segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Activity not required to be reported in a separate fund is included in the General Fund.

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$27.5 million, an increase of \$1.2 million, or a 4.6% increase in comparison with the prior year. The combined ending fund balances for fiscal year 2016 were \$26.3 million.

The General Fund is the chief operating fund of the City. At June 30, 2017, the unassigned fund balance of the General Fund was \$8.5 million, or 30.9% of the combined governmental fund balance. The unassigned fund balance of the General Fund at June 30, 2016 was \$7.6 million, or 29.0% of the combined governmental fund balance. As a measure of the General Fund's liquidity, it may be useful to compare General Fund unassigned fund balance to General Fund expenditures. The General Fund unassigned balance of \$8.5 million represents 49.3% of General Fund expenditures.

The General Fund fund balance increase of \$1.3 million from fiscal year 2016 is the result of increased tax revenues. Tax revenue increased \$2.1 million which is a combination of sales, franchise and in lieu tax revenues. Expenditures also increased from the prior year by \$2.3 million, resulting primarily from an increase in the amount dedicated to the destination marketing program equivalent to 55% of the bed tax collections, the implementation of an economic development program that focuses on other industries besides tourism, and a transfer of streets-related expenditures from the Streets Fund to allow for an increase in the streets rehabilitation and pavement preservation program to address the condition of many of the City's streets.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The Streets Fund is used to account for the state shared revenues restricted for street and highway purposes. The fund balance at June 30, 2017 was \$0.7 million and was assigned due to unspent transfers from the General Fund. The Streets Fund received a transfer of \$351,000 from the General Fund to supplement the cost of street improvement projects. The Streets Fund fund balance remained comparable to prior year due to an increase in state shared revenues.

The Capital Improvement Fund increased \$0.9 million, mainly due to the transfer from the General Fund which was made as part of the City's fund balance policy to move excess capacity to the Capital Improvement Fund from the General Fund. In the current year the City was able to transfer \$2.7 million from the General Fund to the Capital Improvement Fund for ongoing capital projects.

The nonmajor governmental funds reported a decrease in fund balance of \$1.0 million. This change was a result of increases in capital outlay expenditures for capital improvements.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net position was \$7.4 million. For fiscal year 2017 the change in net position for the Wastewater Fund was \$3.9 million. The increase was due to one-time significant capacity fees, an increase in wastewater rates approved by the City Council, and a decrease in interest expense on outstanding bonded indebtedness.

General Fund Budgetary Highlights

During the year there were changes in appropriations between the original and final budget, however, none were significant. They mostly represented transfers of budget from the salary market adjustment pool in the General Services budget to departments, miscellaneous transfers between departments, and use of contingency funds. The most significant was a transfer from contingency for \$361,531 to help cover the increase in the amount dedicated to the destination marketing program equivalent to 55% of the bed tax collections.

The actual expenditures reflected a favorable variance to the final budget in the amount of \$1.9 million, or 10.4 percent less than the total appropriations. In fiscal year 2016 actual expenditures showed a favorable variance to final budget in the amount of \$1.1 million (7 percent less).

Sales tax revenues exceeded the budget amount by \$0.8 million primarily as a result of increased tourism and consumer spending. General Services expenditures were under budget \$0.6 million largely due to unspent contingencies. Public works expenditures were under the budgeted amount by \$0.3 million primarily due to parks maintenance and streets maintenance that did not occur during the fiscal year. Community development expenditures were under the budgeted amount by \$0.3 million primarily due to delays in the updates to the land development code and vacancy savings. Police expenditures were under budget by \$0.3 million primarily due to vacancy savings.

Total revenues reflect a positive variance to budget in the amount of \$0.8 million (3.2 percent) for fiscal year 2017 and a positive variance of \$1.6 million (9.7 percent) in fiscal year 2016.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Capital Asset and Debt Administration

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2017 and 2016 amount to \$139.3 million and \$136.6 million, respectively (net of accumulated depreciation). The net increase in capital assets (net of accumulated depreciation) was \$2.7 million, due primarily to construction in progress for ongoing capital improvements for the wastewater system, street and pedestrian improvements, drainage improvements, and park projects. Capital assets include land and improvements, building and improvements, wastewater systems, machinery, vehicles and equipment, infrastructure, and construction in progress.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

**City of Sedona, Arizona
Capital Assets, Net of Depreciation
June 30, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2017	2016	2017	2016	2017	2016	
Land	\$ 8,790,846	\$ 8,790,846	\$ 11,159,413	\$ 11,159,413	\$ 19,950,259	\$ 19,950,259	- %
Construction in Progress	3,985,424	3,256,142	5,647,095	8,987,170	9,632,519	12,243,312	(21.3)
Land Improvements	6,174,333	4,455,252	-	-	6,174,333	4,455,252	38.6
Buildings and Improvements	4,828,830	4,884,815	-	-	4,828,830	4,884,815	(1.1)
Wastewater System	-	-	80,924,303	78,064,632	80,924,303	78,064,632	3.7
Machinery, Equipment and Vehicles	1,133,039	571,130	341,269	368,388	1,474,308	939,518	56.9
Infrastructure	16,360,143	16,073,867	-	-	16,360,143	16,073,867	1.8
Total Capital Assets	<u>\$ 41,272,615</u>	<u>\$ 38,032,052</u>	<u>\$ 98,072,080</u>	<u>\$ 98,579,603</u>	<u>\$ 139,344,695</u>	<u>\$ 136,611,655</u>	

Major capital asset events during the current fiscal year included the following:

- Various drainage project improvements.
- Various road and pedestrian access improvement projects.
- Ongoing construction in progress for wastewater effluent management injection wells.
- Completion of the bike skills park and Barbara's Park amphitheater.
- Installation of Uptown parking pay stations.

Additional information on the City's capital assets can be found in Note 3.A.4. on pages 49 - 50 of this report.

Long-term debt. At the end of fiscal year 2017, City of Sedona, Arizona had total bonded debt outstanding of \$33.4 million (including related premium). At the end of fiscal year 2016 the City had bonded debt totaling \$38.6 million. All of the fiscal year 2017 total bonded debt was related to revenue bonds. An additional \$10.4 million of debt is outstanding that is related to Capital Appreciation Bonds issued in fiscal year 1998 that will be paid starting in fiscal years 2020 through 2024. Capital leases outstanding as of June 30, 2017 were \$0.3 million.

State statutes impose certain debt limitations on the City of 6 percent and 20 percent of the outstanding secondary assessed valuation of the City. The City's available debt margin at June 30, 2017, is \$21.7 million in the 6 percent capacity and \$72.3 million in the 20 percent capacity. In fiscal year 2016, the 6 percent capacity limit was \$19.0 million and the 20 percent capacity limit was \$63.3 million. Additional

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

information on the debt limitations and capacities may be found on page 105 in the statistical section of this report. See Notes 3.C. and 3.D. on pages 52 - 54 to the financial statements for further information regarding long-term debt.

**City of Sedona, Arizona
Outstanding Obligations
June 30, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Total		Percent Change
	2017	2016	2017	2016	2017	2016	
Revenue Obligation Bonds	\$ 10,025,000	\$ 10,509,700	\$ 22,620,000	\$ 27,185,300	\$ 32,645,000	\$ 37,695,000	(13.4)%
Premium on Long-term Debt	-	-	774,748	886,886	774,748	886,886	(12.6)%
Capital Appreciation Bond Interest	-	-	10,376,075	9,537,228	10,376,075	9,537,228	8.8 %
Capital Leases	320,990	-	-	-	320,990	-	100.0 %
Total Outstanding Debt	\$ 10,345,990	\$ 10,509,700	\$ 33,770,823	\$ 37,609,414	\$ 44,116,813	\$ 48,119,114	

Economic Factors and Next Year's Budgets and Rates

The City of Sedona, Arizona as well as other Arizona cities, remain dependent on State shared revenues and local sales taxes for resources. These revenue sources are economically sensitive taxes and subject to slowdowns in the economy and legislative appropriations.

Fiscal year 2017-18 budgeted General Fund expenditures (including inter-fund transfers) are balanced with anticipated revenue. The total adopted fiscal year 2017-18 budget is \$47.8 million, which includes capital projects of \$14.1 million. The budget for fiscal year 2017-18 also includes:

- Carryover of the update to the land development code to be current with the new development standards and other best practices.
- Implementation of an indirect cost allocation program.
- With the economic turnaround and the efforts of the City's contracted destination marketing program, bed tax revenues have increased significantly over projections. In fiscal year 2013-14, the City entered into a contract with the Chamber of Commerce for a destination-marketing program at a cost of 55% of the City's bed tax revenues. Due to the increases in revenues, the 55% owed to the Chamber has exceeded the amounts budgeted. In case bed taxes again exceed estimates, a contingency placeholder has been included in both revenues and expenditures of \$550,000.
- A 4% increase in wastewater rates.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the City's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to: City of Sedona, Financial Services Department, 102 Roadrunner Drive, Sedona, AZ 86336. (928) 204-7185, or visit our website at www.SedonaAZ.gov/finance.

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BASIC FINANCIAL STATEMENTS

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**CITY OF SEDONA, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 27,133,653	\$ 19,543,872	\$ 46,677,525
Receivables, Net			
Accounts Receivable	752,114	621,417	1,373,531
Tax Receivable	3,104,628	-	3,104,628
Intergovernmental Receivable	394,267	-	394,267
Prepaid Items	15,409	250	15,659
Restricted Assets	1,250	178,307	179,557
Capital Assets:			
Nondepreciable	12,776,270	16,806,508	29,582,778
Depreciable (Net)	28,496,345	81,265,572	109,761,917
Total Assets	<u>72,673,936</u>	<u>118,415,926</u>	<u>191,089,862</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refunding	541,341	161,892	703,233
Deferred Outflows Related to Pensions	3,608,630	228,756	3,837,386
Total Deferred Outflows of Resources	<u>4,149,971</u>	<u>390,648</u>	<u>4,540,619</u>
LIABILITIES			
Accounts Payable	2,193,427	272,922	2,466,349
Accrued Salaries and Wages	161,841	19,740	181,581
Accrued Interest Payable	109,834	286,012	395,846
Deposits	1,250	23,362	24,612
Intergovernmental Payable	45,335	-	45,335
Retainage Payable	64,794	6,450	71,244
Unearned Revenue	11,027	811,233	822,260
Deposits Held for Others	-	154,945	154,945
Claims and Judgments Payable	184,370	-	184,370
Matured Debt Principal Payable	484,700	4,565,300	5,050,000
Noncurrent Liabilities			
Net Pension Liability	12,721,707	989,249	13,710,956
Due Within One Year	1,645,298	3,978,939	5,624,237
Due in More Than One Year	9,159,407	29,867,063	39,026,470
Total Liabilities	<u>26,782,990</u>	<u>40,975,215</u>	<u>67,758,205</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	1,326,184	120,393	1,446,577
Total Deferred Inflows of Resources	<u>1,326,184</u>	<u>120,393</u>	<u>1,446,577</u>
NET POSITION			
Net Investment in Capital Assets	30,918,472	70,267,474	101,185,946
Restricted for:			
Streets	344,445	-	344,445
Court Improvements	39,981	-	39,981
Criminal Case Processing	41,847	-	41,847
Police Department Programs	91,041	-	91,041
Parks Capital Improvements	2,104,075	-	2,104,075
Flood Control	1,645,668	-	1,645,668
Police Capital Improvements	43,151	-	43,151
Summit CFD Capital Improvements	243,559	-	243,559
Fairfield CFD Capital Improvements	698	-	698
Unrestricted	13,241,796	7,443,492	20,685,288
Total Net Position	<u>\$ 48,714,733</u>	<u>\$ 77,710,966</u>	<u>\$ 126,425,699</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF SEDONA, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
General Government	\$ 6,103,129	\$ 226,112	3,599	\$ (5,212,023)	-	\$ (5,212,023)
Public Safety	5,357,797	22,417	41,898	(5,268,739)	-	(5,268,739)
Public Works and Streets	4,534,423	4,690	1,350,148	(2,230,557)	-	(2,230,557)
Culture and Recreation	1,928,332	121,295	528,768	(1,262,476)	-	(1,262,476)
Economic Development	2,261,269	-	-	(2,261,269)	-	(2,261,269)
Interest on Long-term Debt	296,144	-	-	(296,144)	-	(296,144)
Total Governmental Activities	20,481,094	1,213,350	1,924,413	(16,531,208)	-	(16,531,208)
Business-Type Activities:						
Wastewater	7,333,789	-	1,167,388	-	(231,513)	(231,513)
Total Primary Government	\$ 27,814,883	\$ 1,213,350	\$ 3,091,801	(16,531,208)	(231,513)	(16,762,721)
General Revenues:						
Taxes						
Sales Taxes				19,983,931	-	19,983,931
Franchise Taxes				786,882	-	786,882
In Lieu Taxes				630,532	-	630,532
Unrestricted State Revenue Sharing				1,270,897	-	1,270,897
Unrestricted State Sales Tax Revenue Sharing				950,879	-	950,879
Unrestricted Auto Lieu Tax Revenue Sharing				606,030	-	606,030
Investment Earnings				159,363	78,287	237,650
Other				107,960	13,116	121,076
Transfers				(4,038,211)	4,038,211	-
Total General Revenues				20,458,263	4,129,614	24,587,877
Change in Net Position				3,927,055	3,898,101	7,825,156
Net Position - Beginning				44,787,678	73,812,865	118,600,543
Net Position - Ending				\$ 48,714,733	\$ 77,710,966	\$ 126,425,699

See accompanying Notes to the Basic Financial Statements.

**CITY OF SEDONA, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>General Fund</u>	<u>Streets Fund</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
Assets					
Cash and Investments	\$ 9,636,565	\$ 1,233,731	\$ 13,153,638	\$ 3,109,719	\$ 27,133,653
Receivables, Net					
Accounts Receivable	264,614	-	487,500	-	752,114
Taxes Receivable	3,073,004	-	-	31,624	3,104,628
Intergovernmental Receivable	106,119	86,779	120,840	80,529	394,267
Due from Other Funds	23,906	-	-	-	23,906
Prepaid Items	15,409	-	-	-	15,409
Restricted Assets	1,250	-	-	-	1,250
Total Assets	<u>\$ 13,120,867</u>	<u>\$ 1,320,510</u>	<u>\$ 13,761,978</u>	<u>\$ 3,221,872</u>	<u>\$ 31,425,227</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts Payable	\$ 1,018,168	\$ 585,407	\$ 402,972	\$ 186,880	\$ 2,193,427
Accrued Wages and Benefits	161,841	-	-	-	161,841
Interest Payable	109,622	-	-	212	109,834
Intergovernmental Payable	45,335	-	-	-	45,335
Due to Other Funds	-	-	-	23,906	23,906
Retainage Payable	-	-	64,794	-	64,794
Unearned Revenue	4,745	-	-	6,282	11,027
Customer Deposits Payable	1,250	-	-	-	1,250
Matured Debt Principal Payable	463,926	-	-	20,774	484,700
Total Liabilities	<u>1,804,887</u>	<u>585,407</u>	<u>467,766</u>	<u>238,054</u>	<u>3,096,114</u>
Deferred Inflows of Resources	<u>287,458</u>	<u>-</u>	<u>576,332</u>	<u>-</u>	<u>863,790</u>
Fund Balances					
Nonspendable	15,409	-	-	-	15,409
Restricted	81,828	-	1,544,716	2,927,921	4,554,465
Committed	421,696	-	11,173,164	95,144	11,690,004
Assigned	2,018,050	735,103	-	15,034	2,768,187
Unassigned	8,491,539	-	-	(54,281)	8,437,258
Total Fund Balance	<u>11,028,522</u>	<u>735,103</u>	<u>12,717,880</u>	<u>2,983,818</u>	<u>27,465,323</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 13,120,867</u>	<u>\$ 1,320,510</u>	<u>\$ 13,761,978</u>	<u>\$ 3,221,872</u>	<u>\$ 31,425,227</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF SEDONA, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total Fund Balances for Governmental Funds	\$ 27,465,323
Amounts reported for governmental activities in the statement of activities are different because:	
Sales tax audit revenues, CFD fee-in-lieu taxes, Court receivables, net of allowance for doubtful accounts, franchise fees and intergovernmental revenues are deferred in the governmental fund financial statements but recognized when earned in the statement of activities when they are available to finance current resources.	863,790
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Governmental Capital Assets	67,166,176
Less Accumulated Depreciation	(25,893,561)
Capital Assets Used in Governmental Activities	41,272,615
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred Outflows of Resources Related to Pensions	3,608,630
Deferred Inflows of Resources Related to Pensions	(1,326,184)
Long term liabilities, including bonds payable, deferred amounts on refunding, and the net pension liability are not due and payable in the current period and therefore are not reported in the governmental funds.	
Revenue Bonds	(10,025,000)
Deferred Amount on Refunding	541,341
Claims and Judgments Payable	(184,370)
Compensated Absences	(458,715)
Capital Leases	(320,990)
Net Pension Liability	(12,721,707)
Total Net Position of Governmental Activities	\$ 48,714,733

See accompanying Notes to the Basic Financial Statements.

CITY OF SEDONA, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	General Fund	Streets Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Totals
Revenue					
Taxes					
Sales Taxes	\$ 20,080,186	\$ -	\$ -	\$ -	\$ 20,080,186
Franchise Taxes	783,413	-	-	-	783,413
In Lieu Taxes	461,403	-	-	198,899	660,302
Intergovernmental Revenue	2,840,735	949,028	792,993	248,251	4,831,007
Fines and Forfeitures	140,840	-	-	-	140,840
Licenses and Permits	475,216	-	-	-	475,216
Charges for Services	201,438	-	-	1,416	202,854
Contributions and Donations	21,204	-	37,500	27,672	86,376
Impact Fees	-	-	-	618,741	618,741
Investment Earnings	99,936	1,725	32,852	24,850	159,363
Other	93,159	-	-	14,801	107,960
Total Revenue	<u>25,197,530</u>	<u>950,753</u>	<u>863,345</u>	<u>1,134,630</u>	<u>28,146,258</u>
Expenditures					
Current					
General Government	5,556,600	-	-	203,892	5,760,492
Public Safety	4,938,592	-	-	33,857	4,972,449
Public Works and Streets	1,891,808	1,226,595	-	-	3,118,403
Culture and Recreation	1,787,834	-	-	32,377	1,820,211
Economic Development	2,261,269	-	-	-	2,261,269
Debt Service					
Principal Retirement	581,245	-	-	20,774	602,019
Interest on Long-Term Debt	221,842	-	-	424	222,266
Capital Outlay	-	-	2,677,560	1,914,930	4,592,490
Total Expenditures	<u>17,239,190</u>	<u>1,226,595</u>	<u>2,677,560</u>	<u>2,206,254</u>	<u>23,349,599</u>
Excess (Deficiency) of Revenue Over Expenditures	7,958,340	(275,842)	(1,814,215)	(1,071,624)	4,796,659
Other Financing Sources (Uses)					
Transfers In	-	351,000	2,729,149	24,298	3,104,447
Transfers Out	(7,118,360)	-	(24,298)	-	(7,142,658)
Proceeds from Capital Lease	438,309	-	-	-	438,309
Total Other Financing Sources (Uses)	<u>(6,680,051)</u>	<u>351,000</u>	<u>2,704,851</u>	<u>24,298</u>	<u>(3,599,902)</u>
Net Change in Fund Balance	1,278,289	75,158	890,636	(1,047,326)	1,196,757
Fund Balance					
Beginning of Year	9,750,233	659,945	11,827,244	4,031,144	26,268,566
End of Year	<u>\$ 11,028,522</u>	<u>\$ 735,103</u>	<u>\$ 12,717,880</u>	<u>\$ 2,983,818</u>	<u>\$ 27,465,323</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF SEDONA, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances-Total Governmental Funds \$ 1,196,757

Amounts reported for governmental activities in the statement of activities are

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

Expenditures for Capital Assets	5,146,885	
Less Current Year Depreciation	<u>(1,906,322)</u>	
Excess Capital Expenditures Over Depreciation		3,240,563

Other revenues and property taxes receivable will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred inflows of resources in the governmental funds.

Unavailable Revenue - June 30, 2016	(563,688)	
Unavailable Revenue - June 30, 2017	<u>863,790</u>	300,102

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Principal Payments on Long-Term Debt		484,700
Proceeds from Capital Lease		(438,309)
Amortization on Deferred Amount on Refunding		(73,878)
Principal Payments on Capital Lease		117,319

Governmental funds report City pension contributions as expenditures when made. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows or resources related to pensions, and the investment experience.

Pension Expense	(1,727,395)	
Pension Contributions	<u>1,054,875</u>	(672,520)

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

Claims and Judgements Payable		(184,370)
Net increase in Compensated Absences		(43,309)

Change in Net Position of Governmental Activities		<u>\$ 3,927,055</u>
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See accompanying Notes to the Basic Financial Statements.

**CITY OF SEDONA, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2017**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Taxes				
Sales Taxes	\$ 19,248,870	\$ 19,248,870	\$ 20,080,186	\$ 831,316
Franchise Taxes	816,060	816,060	783,413	(32,647)
In Lieu Taxes	406,000	406,000	461,403	55,403
Intergovernmental Revenue	2,892,701	2,892,701	2,840,735	(51,966)
Fines and Forfeitures	243,000	243,000	140,840	(102,160)
Licenses and Permits	448,425	448,425	475,216	26,791
Charges for Services	144,350	144,350	201,438	57,088
Contributions and Donations	400	400	21,204	20,804
Investment Earnings	122,500	122,500	99,936	(22,564)
Other	86,400	86,400	93,159	6,759
Total Revenue	<u>24,408,706</u>	<u>24,408,706</u>	<u>25,197,530</u>	<u>788,824</u>
Expenditures				
City Council	78,585	78,585	60,524	18,061
City Manager	1,016,875	1,011,859	829,937	181,922
Human Resources	226,080	237,045	236,520	525
Financial Services	536,465	534,765	502,676	32,089
Information Technology	1,193,777	1,197,077	1,004,548	192,529
City Attorney	534,455	534,455	527,316	7,139
City Clerk	297,719	297,719	253,334	44,385
Parks and Recreation	539,557	548,757	538,515	10,242
General Services	4,971,845	4,830,593	4,209,363	621,230
Community Development	1,646,691	1,659,158	1,372,282	286,876
Public Works	3,139,298	3,169,124	2,896,955	272,169
Police	4,304,779	4,300,204	4,046,891	253,313
Municipal Court	342,950	342,950	322,020	20,930
Total Expenditures	<u>18,829,076</u>	<u>18,742,291</u>	<u>16,800,881</u>	<u>1,941,410</u>
Excess of Revenue Over Expenditures	5,579,630	5,666,415	8,396,649	2,730,234
Other Financing Sources (Uses)				
Transfers Out	<u>(12,802,455)</u>	<u>(12,802,455)</u>	<u>(7,118,360)</u>	<u>5,684,095</u>
Total Other Financing Sources (Uses)	<u>(12,802,455)</u>	<u>(12,802,455)</u>	<u>(7,118,360)</u>	<u>5,684,095</u>
Net Change in Fund Balance	(7,222,825)	(7,136,040)	1,278,289	8,414,329
Fund Balance				
Beginning of Year	17,650,256	17,650,256	9,750,233	(7,900,023)
End of Year	<u>\$ 10,427,431</u>	<u>\$ 10,514,216</u>	<u>\$ 11,028,522</u>	<u>\$ 514,306</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF SEDONA, ARIZONA
STREETS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Intergovernmental Revenue	\$ 799,000	\$ 799,000	\$ 949,028	\$ 150,028
Investment Earnings	-	-	1,725	1,725
Total Revenue	<u>799,000</u>	<u>799,000</u>	<u>950,753</u>	<u>151,753</u>
Expenditures				
Current				
Public Works and Streets	1,150,000	1,226,595	1,226,595	-
Total Expenditures	<u>1,150,000</u>	<u>1,226,595</u>	<u>1,226,595</u>	<u>-</u>
Excess (Deficiency) of Revenue Over Expenditures	(351,000)	(427,595)	(275,842)	151,753
Other Financing Sources (Uses)				
Transfers In	<u>351,000</u>	<u>351,000</u>	<u>351,000</u>	<u>-</u>
Net Change in Fund Balance	-	(76,595)	75,158	151,753
Fund Balance				
Beginning of Year	378,138	378,138	659,945	281,807
End of Year	<u>\$ 378,138</u>	<u>\$ 301,543</u>	<u>\$ 735,103</u>	<u>\$ 433,560</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF SEDONA, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017**

	Business-Type Activities
	Wastewater
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 19,543,872
Receivables, Net	
Accounts Receivable	621,417
Prepaid Items	250
Restricted Assets	178,307
Total Current Assets	20,343,846
Noncurrent Assets	
Capital Assets	
Non-Depreciable	16,806,508
Depreciable (Net)	81,265,572
Total Noncurrent Assets	98,072,080
Total Assets	118,415,926
Deferred Outflows of Resources	
Deferred Charges on Refunding	161,892
Deferred Outflows Related to Pensions	228,756
Total Deferred Outflows of Resources	390,648
Liabilities	
Current Liabilities	
Accounts Payable	272,922
Accrued Wages and Benefits	19,740
Interest Payable	286,012
Retainage Payable	6,450
Unearned Revenue	811,233
Deposits Held for Others	154,945
Matured Debt Principal Payable	4,565,300
Customer Deposits Payable	23,362
Compensated Absences	58,939
Bonds Payable	3,920,000
Total Current Liabilities	10,118,903
Noncurrent Liabilities	
Compensated Absences	16,240
Net Pension Liability	989,249
Capital Appreciation Bond Interest	10,376,075
Bonds Payable	19,474,748
Total Noncurrent Liabilities	30,856,312
Total Liabilities	40,975,215
Deferred Inflows of Resources	120,393
Net Position	
Net Investment in Capital Assets	70,267,474
Unrestricted	7,443,492
Total Net Position	\$ 77,710,966

See accompanying Notes to the Basic Financial Statements.

CITY OF SEDONA, ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Business-Type Activities
	Wastewater
Operating Revenue	
Charges for Services	\$ 5,932,917
Other	1,971
Total Operating Revenue	5,934,888
Operating Expenses	
Salaries, Wages and Benefits	1,548,047
Supplies and Other	1,920,133
Depreciation	2,853,783
Total Operating Expenses	6,321,963
Operating Loss	(387,075)
Nonoperating Revenue (Expense)	
Capacity Fees	1,167,388
Other Income	13,116
Interest Expense	(1,011,826)
Investment Earnings	78,287
Total Nonoperating Revenue (Expenses)	246,965
Income (Loss) Before Capital Contributions and Transfers	(140,110)
Transfers In	4,038,211
Change in Net Position	3,898,101
Net Position	
Beginning of Year	73,812,865
End of Year	\$ 77,710,966

See accompanying Notes to the Basic Financial Statements.

**CITY OF SEDONA, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds <u>Wastewater</u>
Cash Flows from Operating Activities	
Receipts from Customers	\$ 5,999,006
Payments to Suppliers	(2,623,255)
Payments to Employees	(1,564,732)
Other Receipts	15,087
Receipt of Customer Deposits	16,663
Return of Customer Deposits	(32,336)
Net Cash Flows from Operating Activities	<u>1,810,433</u>
Cash Flows from Noncapital Financing Activities	
Transfers In	<u>4,038,211</u>
Cash Flows from Capital and Related Financing Activities	
Capacity Fees	1,167,388
Purchases of Capital Assets	(1,997,433)
Securities In-Lieu of Retainage	(147,426)
Interest Paid on Capital Debt	(617,530)
Principal Paid on Capital Debt	<u>(4,745,000)</u>
Net Cash Flows used by Capital and Financing Activities	<u>(6,340,001)</u>
Cash Flows from Investing Activities	
Interest and Dividends	<u>78,287</u>
Net Change in Cash and Cash Equivalents	(413,070)
Cash and Cash Equivalents, Beginning of Year	<u>20,135,249</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 19,722,179</u></u>

**CITY OF SEDONA, ARIZONA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>Business-Type Activities - Enterprise Funds Wastewater</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (387,075)
Adjustments to Reconcile Operating Loss to Net Cash from Operating Activities	
Depreciation	2,853,783
Other Nonoperating Receipts (Expenses)	13,116
Change in Assets/Liabilities:	
Receivables, Net	37,223
Prepaid Items	(250)
Accounts Payable	(702,872)
Accrued Wages and Benefits	(881)
Compensated Absences	(4,413)
Net Pension Liability	(11,391)
Customer Deposits Payable	(15,673)
Unearned Revenue	28,866
Net Cash from Operating Activities	<u>\$ 1,810,433</u>
Noncash Investing, Capital and Financing Activities	
Amortization of Premiums	\$ (112,138)
Amortization of Deferred Amounts on Refunding	54,750
Amortization of Capital Appreciation Bond Interest	838,847

See accompanying Notes to the Basic Financial Statements.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of City of Sedona, Arizona have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the City's more significant accounting policies follows.

A. Reporting Entity

The City was incorporated January 4, 1988, under the provisions of Article 13, Sections 1 through 6, of the Constitution of Arizona and Title 9 of the Arizona Revised Statutes. The City operates under a Council-Manager form of government. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The City has blended the following entities into its Comprehensive Annual Financial Report:

The **Sedona Wastewater Municipal Property Corporation's** (SWMPC) board of directors consists of three members which are appointed by the Sedona City Council. The SWMPC, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the purpose of assisting the City in obtaining financing for various projects of the City. The City has a "moral obligation" for the repayment of the SWMPC bonds. All related receivables and payables between the City and the SWMPC have been eliminated. The SWMPC has a June 30 year-end and is reported with the governmental fund financial statements. Separate financial statements are not issued for the SWMPC.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

The **Fairfield and Summit II Community Facilities Districts** (Districts) were formed for the purposes of assisting the City with the financing and providing general infrastructure and capital assets within the District boundaries. The City Council serves as the board of directors for the Districts. As special purpose districts and separate political subdivisions under the Arizona Constitution, the Districts are authorized to levy ad valorem tax on the assessed value of all real and personal property in the district and issue bonds independently of the City. Property owners in the designated areas are assessed a special CFD tax for the costs of operating the Districts, as defined in the individual development agreements. The operational responsibility for the Districts rests with the management of the City. For financial reporting purposes, transactions of the Districts are combined and reported within the governmental fund financial statements. Separate financial statements are not issued for the Districts.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements except for interfund services provided and used are not eliminated in the consolidation. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the General Fund and the Development Impact Fees Fund, a nonmajor fund.

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

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those accounted for in another fund.

The *Streets Fund* accounts for the City's streets maintenance costs associated with road rehabilitation and pavement preservation. Funding is provided by the City's portion of state shared gasoline taxes and support from the General Fund.

The *Capital Improvement Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major proprietary funds:

The *Wastewater Fund* accounts for the activities of the City's wastewater collection and treatment facilities and associated financing.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use for governmental activities, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. For business-type activities, the use of restricted resources is governed by the applicable bond covenants.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three years or less from the date of acquisition.

The City Council-approved investment policy authorizes the City to invest in obligations of the U. S. Government and are guaranteed by the U.S. Treasury; certificates of deposit or other deposits in FDIC insured banks; repurchase agreements with a maximum maturity of one hundred eighty days; and the Local Government Investment Pools managed by the Arizona State Treasurer. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices. The reported value of the state treasurer's pool is the same as the fair value of the pool shares.

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (Continued)

2. Receivables

All trade receivables are shown net of an allowance for uncollectible accounts.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements. The City recognizes the expense/expenditure in the government-wide and fund financial statements at the time the benefit is received and not at the time of the outlay.

4. Restricted Cash and Investments

The City reports restricted cash and investments in the General Fund and Wastewater Fund for customer deposits and a retainage payable balance that is held in the City's name in a trust for the contractor when construction is completed to the City's satisfaction.

5. Capital Assets

Capital assets (including property, plant, and equipment) are reported in the governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. As prescribed by GASB 34 as a phase II government, only infrastructure assets acquired subsequent to 1980 were included in the government-wide financial statements.

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Depreciation is provided on a straight-line basis over the following estimated useful lives:

Buildings	30 Years
Improvements Other than Buildings	6 to 50 Years
Streets, Sidewalks and Other Infrastructure	20 to 50 Years
Wastewater Plant	6 to 50 Years
Wastewater Lines	50 Years
Machinery, Equipment and Vehicles	3 to 6 Years

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (Continued)

6. Deferred Outflows of Resources

The City recognizes the consumption of net position that is applicable to a future reporting period as deferred outflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions and deferred charges on refundings. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

7. Compensated Absences

For governmental funds, amounts of vested or accumulated vacation that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the governmental fund financial statements unless they have matured, for example, as a result of employee resignations and retirements. Vested or accumulated vacation in the proprietary fund is recorded as an expense and a liability of that fund as the benefits accrue to the employees.

8. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary type statement of net position. Bond premiums are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the bond premium. Bond issuance costs and fiscal charges are expensed.

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

9. Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from ASRS/PSPRS's fiduciary net position have been determined on the same basis as they are reported by ASRS/PSPRS.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (Continued)

9. Pension Plans (Continued)

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Deferred Inflows of Resources

The deferred inflows of resources reported in the governmental fund financial statements represent resources that are not available to the City as of June 30, 2017 or within 60 days of fiscal year end. The deferred inflows of resources represent a reconciling item between the governmental fund financial statements and the government-wide financial statements.

The City also recognizes the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions.

11. Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. The net investment in capital assets is separately reported because these assets are not available for future spending. Restricted net position accounts for the portion of net position restricted by parties outside the City. Unrestricted net position is the remaining net position not included in the previous two categories.

12. Fund Balance Classifications

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories, advances to other funds, other long-term notes receivable, and prepaid items, or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (Continued)

12. Fund Balance Classifications (Continued)

Committed fund balances are self-imposed limitations approved by the City Council through ordinance, which is the highest level of decision-making authority within the City. Only the City Council can remove or change the constraints placed on committed fund balances through formal resolution. Fund balances must be committed before the end of the fiscal year.

Assigned fund balances are resources constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has authorized the City Manager or his designee to make assignments of resources for specific purposes.

The unassigned fund balance is the residual classification for the General Fund and includes all amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned. It is the City's policy to use restricted fund balance first, then committed, assigned, and lastly unassigned amounts. The City has also established a fund balance policy as noted below:

General Fund Balance: The unassigned fund balance range for the General Fund shall be not less than 50% and not more than 75% of the total adopted budgeted operating expenditures of the General Fund budget. Additionally, the General Fund Capital Accumulation Fund: The assigned fund balance range for the GF Capital Accumulation Fund shall be any current accumulation plus fund balance requirements for immediate replacements. This restricted fund balance range is an accumulation of the City's 3% sales tax after all current bonded debt service is satisfied. The fund balance requirement for this fund should not fall below \$100,000 with no upper limit.

Streets Fund: The restricted fund balance range for the Streets Fund shall be not less than 10% and not more than 50% of the total budgeted revenues of the Streets Fund.

Wastewater Fund: The net position range for the Wastewater Fund, including maintenance, operations, and administration shall be not less than 25% (90 days) and not more than 33.3% (120 days) of the total budgeted operating expenses of the Fund. This shall be in addition to a separate net position with a target equal to the average of one year of enterprise fund debt service repayment requirements.

Capital Improvements Fund: The Capital Improvement Fund, coupled with estimated revenues for the ensuing fiscal year, must be sufficient to fund all outstanding capital fund obligations for the next fiscal year. This will follow the City's 6-Year Capital Plan.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the City is legally enacted through passage of a resolution. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. Expenditures may not legally exceed the expenditure limitation described above of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds, which is the legal level of budgetary control for these funds. The City Manager may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity.
5. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, and Capital Projects Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures, with the exception of the sales tax transfer for the Wastewater Fund subsidy.

The City is subject to the State of Arizona's Spending Limitation Law for Cities and Towns. This law does not permit the City to spend more than budgeted revenues plus the carryover unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The City complied with this law during the year.

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Arizona Revised Statutes authorize the City to invest public monies in the State Treasurer’s local government investment pools, the County Treasurer’s investment pool, in obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the City’s investments.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the City’s deposits may not be returned to the City. The City does not have a deposit policy for custodial credit risk. At year-end, the carrying amount of the City’s deposits was \$9,387,811 and the bank balance was \$9,403,045. At year-end, \$654,945 of the City’s deposits was covered by federal depository insurance and the remaining \$8,748,100 was collateralized by the Arizona State Treasurer’s pooled collateral program.

Deposits and investments at June 30, 2017 consist of the following:

Deposits	
Cash on Hand	\$ 55,093
Cash in Bank	9,387,811
Investments	
State Treasurer’s Investment Pool	27,971,309
Money Market Funds	5,445,846
U.S. Government Securities	<u>3,997,023</u>
Total Deposits and Investments	<u>46,857,082</u>
Restricted Assets	<u>(179,557)</u>
Total Deposits and Investments	<u>\$ 46,677,525</u>

Investments - The State Investment Board provides oversight for the State Treasurer’s pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares. The shares are not identified with specific investments and are not subject to custodial credit risk. All other investments of the City are uninsured and unregistered with the securities held by the counterparty’s trust department or agent in the City’s name.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the City’s investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature concurrent with the anticipated cash requirements for ongoing operations and Investing funds primarily in shorter-term securities or similar investment pools and limiting the average maturity of the portfolio.

Investment	Investment Maturities (in Years)			
	Amount	Less than 1	1-3	4-5
U.S. Agency Securities	\$ 999,725	\$ 999,725	\$ -	\$ -
U.S. Treasury Notes	2,997,298	2,997,298	-	-
Money Market Funds	5,445,846	5,445,846	-	-
State Treasurer's Investment Pool	27,971,309	27,971,309	-	-
Total Investments	<u>\$ 37,414,178</u>	<u>\$ 37,414,178</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk – The City limits its investments to the State Treasurer’s Investment Pool, U.S. Agency Securities and U.S. Treasury Notes. The investment in the money market is on hand at the end of the fiscal year in order to make the required principal and interest payments on outstanding bonds. The funds are on deposit with a trustee for less than one month and do not pose a credit risk to the City. The City’s investments consist of only the State Treasurer’s Investment Pool, US Treasury Bonds, and Federal Agency Securities. The City’s investment rating based on investment type is shown below:

Investment Type	Rating	Agency	Amount
U.S. Agency Securities	AA+	Moody's	\$ 999,725
U.S. Treasury Notes	AA+	Moody's	2,997,298
Money Market Funds	N/R	N/R	5,445,846
State Treasurer's Investment Pool 5	AAA	Moody's	5,488,547
State Treasurer's Investment Pool 7 and 500	N/R	N/R	22,482,762
			<u>\$ 37,414,178</u>

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Concentration of Credit Risk – The City policy allows a maximum of 5% of the market value of the portfolio be invested in debt issued by any single entity. The City places no limit on the amount the City may invest in debt backed by the United States Treasury. See table summarizing the City’s investment percentages:

Investment Type	Amount	Percent of City Investments
U.S. Agency Securities	\$ 999,725	2.67%
U.S. Treasury Notes	2,997,298	8.01%
Money Market Funds	5,445,846	14.56%
State Treasurer's Investment Pool	27,971,309	74.76%
	<u>\$ 37,414,178</u>	<u>100.00%</u>

Fair Value Measurements. The City uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures. Investments in the State Treasurer’s investment pools are valued at the pool’s share price multiplied by the number of shares the City held. The fair value of a participant’s position in the pools approximates the value of that participant’s pool shares. The State Board of Investment provides oversight for the State Treasurer’s investment pools.

The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level III). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statement of net position are categorized based on the inputs to the valuation techniques as follows:

Level I – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Level II – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level III – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants and would use in pricing the asset.

At year-end, the City’s investments were measured as follows:

	6/30/2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Observable Inputs (Level III)
Investments by Fair Value Level				
Debt Securities				
U.S. Agency Securities	\$ 999,725	\$ -	\$ 999,725	\$ -
U.S. Treasury Notes	2,997,298	-	2,997,298	-
Total Investments by fair value level	3,997,023	\$ -	\$ 3,997,023	\$ -
 Investments Measured at Fair Value				
State Treasurer’s Investment Pool	27,971,309			
Total investments measured at fair value	31,968,332			
 Investments Measured at Amortized Cost				
Money Market Funds	5,445,846			
Total Investments:	\$ 37,414,178			

2. Restricted Cash and Investments

Restricted cash and investments at June 30, 2017 consist of the following:

Customer Deposits	\$ 24,612
Deposits Held for Others	154,945
	\$ 179,557

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Receivables

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
General Fund:		
Court Fines Receivable	\$ 231,394	\$ -
Franchise Fee Receivable	12,000	-
Sales Tax Receivable	44,064	-
Miscellaneous Unearned Fees	-	4,745
Capital Improvement Fund:		
Intergovernmental Receivable	113,832	-
Miscellaneous Receivable	462,500	
Nonmajor Governmental Funds:		
Grant Advances Prior to Meeting all Eligibility Requirements	-	6,282
	\$ 863,790	\$ 11,027

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CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 8,790,846	\$ -	\$ -	\$ 8,790,846
Construction in Progress	3,256,142	4,348,445	(3,619,163)	3,985,424
Total Capital Assets, Not Being Depreciated	12,046,988	4,348,445	(3,619,163)	12,776,270
Capital Assets, Being Depreciated:				
Land Improvements	6,618,808	1,904,579	-	8,523,387
Building and Improvements	8,232,314	248,165	-	8,480,479
Machinery, Equipment and Vehicles	6,133,230	931,607	(302,728)	6,762,109
Infrastructure	29,290,679	1,333,252	-	30,623,931
Total Capital Assets, Being Depreciated	50,275,031	4,417,603	(302,728)	54,389,906
Accumulated Depreciation for:				
Land Improvements	(2,163,556)	(185,498)	-	(2,349,054)
Building and Improvements	(3,347,499)	(304,150)	-	(3,651,649)
Machinery, Equipment and Vehicles	(5,562,100)	(369,698)	302,728	(5,629,070)
Infrastructure	(13,216,812)	(1,046,976)	-	(14,263,788)
Total Accumulated Depreciation	(24,289,967)	(1,906,322)	302,728	(25,893,561)
Total Capital Assets, Being Depreciated, Net	25,985,064	2,511,281	-	28,496,345
Governmental Activities Capital Assets, Net	<u>\$ 38,032,052</u>	<u>\$ 6,859,726</u>	<u>\$ (3,619,163)</u>	<u>\$ 41,272,615</u>

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 11,159,413	\$ -	\$ -	\$ 11,159,413
Construction in Progress	8,987,170	2,243,323	(5,583,398)	5,647,095
Total Capital Assets, Not Being Depreciated	<u>20,146,583</u>	<u>2,243,323</u>	<u>(5,583,398)</u>	<u>16,806,508</u>
Capital Assets, Being Depreciated:				
Wastewater System	113,778,061	5,583,400	-	119,361,461
Machinery, Equipment and Vehicles	5,155,454	102,935	-	5,258,389
Total Capital Assets, Being Depreciated	118,933,515	5,686,335	-	124,619,850
Accumulated Depreciation for:				
Wastewater System	(35,713,429)	(2,723,729)	-	(38,437,158)
Machinery, Equipment and Vehicles	(4,787,066)	(130,054)	-	(4,917,120)
Total Accumulated Depreciation	<u>(40,500,495)</u>	<u>(2,853,783)</u>	<u>-</u>	<u>(43,354,278)</u>
Total Capital Assets, Being Depreciated, Net	<u>78,433,020</u>	<u>2,832,552</u>	<u>-</u>	<u>81,265,572</u>
Business-Type Activities Capital Assets, Net	<u>\$ 98,579,603</u>	<u>\$ 5,075,875</u>	<u>\$ (5,583,398)</u>	<u>\$ 98,072,080</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General Government	\$ 345,795
Public Safety	199,951
Public Works and Streets	1,245,392
Culture and Recreation	115,184
Total Depreciation Expense	<u>1,906,322</u>

Business-Type Activities:

Wastewater	<u>\$ 2,853,783</u>
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During the current fiscal year, the Wastewater Fund capitalized net interest costs of \$348,827. Total interest expense in the Wastewater Fund before capitalization was \$1,360,653.

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

5. Construction Commitments

The City has active construction projects at June 30, 2017. The projects include various park projects, drainage improvements, street and sidewalk improvements, wastewater system upgrades, and addition of injection wells to the wastewater effluent management system. At fiscal year end the City's commitments with contractors were as follows:

Governmental Activities		
Project	Spent-to-date	Remaining Commitment
Brewer Tlaquepaque Drainage	\$ 1,195,506	\$ 72,469
Dog Park Improvements	18,490	1,810
Total Governmental Activities	\$ 1,213,996	\$ 74,279
Business-type Activities		
Project	Spent-to-date	Remaining Commitment
Wastewater Effluent Management Injection Wells	\$ 25,962	\$ 186,107
Total business-type activities	\$ 25,962	\$ 186,107

B. Interfund Receivables, Payables and Transfers

Interfund receivables and payables at June 30, 2017 were recorded to eliminate a deficit cash balance in the Fairfield CFD Fund and consisted of the following:

Due To	Due From Nonmajor Governmental
General Fund	\$ 23,906

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers (Continued)

Interfund transfers for the year ended June 30, 2017 consisted of the following:

Transfers to	Transfers From		
	General Fund	Capital Improvement Fund	Total
Streets Fund	\$ 351,000	\$ -	\$ 351,000
Capital Improvement Fund	2,729,149	-	2,729,149
Nonmajor Governmental Funds	-	24,298	24,298
Wastewater Fund	4,038,211	-	4,038,211
	<u>\$ 7,118,360</u>	<u>\$ 24,298</u>	<u>\$ 7,142,658</u>

The transfer of \$351,000 from the General Fund to the Streets Fund was to support highway and street activity. The transfer of \$2,729,149 from the General Fund to the Capital Improvement Fund was made based on the City's fund balance policy to move excess capacity for capital projects.

The transfer of \$24,298 from the Capital Improvement Fund to the Nonmajor Governmental Funds was made to move 1% of construction costs to the Art in Public Places Fund, a nonmajor governmental fund, based on City policy. Lastly, the transfer of \$4,038,211 from the General Fund to the Wastewater Fund is for sales tax collected and transferred to the Wastewater Fund to support operations.

C. Obligations Under Capital Leases

The City acquired vehicles under the provisions of long-term lease agreements classified as capital leases. Accordingly, the principal amount of the assets totaling \$438,309 are capitalized as governmental activities:

The assets acquired through capital leases are as follows:

Governmental Activities:

Vehicles	\$ 438,309
Less: Accumulated Depreciation	<u>(48,434)</u>
Total	<u><u>389,875</u></u>

Amortization expense on the capital leases is included in depreciation expense.

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Obligations Under Capital Leases

Future principal and interest payments due on capital leases are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 102,072	\$ 15,247
2019	106,920	10,399
2020	111,998	5,320
Total	<u>\$ 320,990</u>	<u>\$ 30,966</u>

D. Long-Term Obligations

The following is a list of revenue obligation bonds outstanding as of June 30, 2017.

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Governmental Activities:			
Revenue Bonds:			
Excise Tax Revenue Refunding Bonds Series 2007, Original Issue \$8.795 million	4.0-4.125%	7/1/18-19	\$ 1,460,000
Excise Tax Revenue Refunding Bonds Series 2014, Original Issue \$1.8797 million	.66%	7/1/18-19	805,000
Excise Tax Revenue Refunding Bonds, Second Series 2015, Original Issue \$8.030 million	1.94%	7/1/18-27	7,760,000
Total Revenue Bonds:			<u>\$ 10,025,000</u>
Business-type Activities:			
Revenue Bonds:			
Excise Tax Revenue Bonds, Series 1998 Original Issue \$41.035 million	5.2-5.24%	7/1/20-24	\$ 6,305,000
Excise Tax Revenue Refunding Bonds, Series 2012, Original Issue \$8.395 million	4.5%	7/1/25-26	8,395,000
Excise Tax Revenue Refunding Bonds, Series 2015, Original Issue \$10.390 million	1.3%	7/1/18-19	7,920,000
Total Revenue Bonds:			<u>\$ 22,620,000</u>

The City has pledged future excise taxes to repay the excise tax revenue obligations as listed above. Proceeds of the bonds were used for various construction improvements and to refund and refinance various bonds and certificates of participation. The bonds are payable solely from excise taxes. Maturity dates are from July 1, 2018 to July 1, 2027. The future excise tax revenues pledged, which include sales tax, franchise tax, vehicle license fees, unrestricted fines and forfeitures and permits, will repay \$32,645,000 in excise tax revenue refunding bonds, plus \$19,685,403 of interest. Total principal and interest payments on the bonds are expected to require less than 40% of pledged revenues. Pledged revenue for the current year was \$23,808,679. In the current year, total principal paid was \$5,050,000 and interest paid was \$791,691.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

Changes in long-term obligations for the year ended June 30, 2017 are as follows:

	July 1, 2016	Increases	Decreases	June 30, 2017	Due Within One Year
Governmental Activities					
Bonds Payable:					
Revenue Bonds	\$ 10,509,700	\$ -	\$ (484,700)	\$ 10,025,000	\$ 1,235,000
Total Bonds Payable	<u>10,509,700</u>	<u>-</u>	<u>(484,700)</u>	<u>10,025,000</u>	<u>1,235,000</u>
Other Liabilities:					
Compensated Absences	415,406	371,560	(328,251)	458,715	308,226
Capital Leases	-	438,309	(117,319)	320,990	102,072
Net Pension Liability	10,730,281	1,991,426	-	12,721,707	-
Total Other Liabilities	<u>11,145,687</u>	<u>2,801,295</u>	<u>(445,570)</u>	<u>13,501,412</u>	<u>410,298</u>
Governmental Activities Long-term Liabilities	<u>\$ 21,655,387</u>	<u>\$ 2,801,295</u>	<u>\$ (930,270)</u>	<u>\$ 23,526,412</u>	<u>\$ 1,645,298</u>
	July 1, 2016	Increases	Decreases	June 30, 2017	Due Within One Year
Business-Type Activities					
Bonds Payable and Related Interest:					
Revenue Bonds	\$ 27,185,300	\$ -	\$ (4,565,300)	\$ 22,620,000	\$ 3,920,000
Capital Appreciation Bond Interest	9,537,228	838,847	-	10,376,075	-
Deferred Amounts:					
Premium	886,886	-	(112,138)	774,748	-
Total Bonds Payable	<u>37,609,414</u>	<u>838,847</u>	<u>(4,677,438)</u>	<u>33,770,823</u>	<u>3,920,000</u>
Other Liabilities:					
Compensated Absences	79,592	66,401	(70,814)	75,179	58,939
Net Pension Liability	937,607	51,642	-	989,249	-
Total Other Liabilities	<u>1,017,199</u>	<u>118,043</u>	<u>(70,814)</u>	<u>1,064,428</u>	<u>58,939</u>
Business-Type Activities Long-term Liabilities	<u>\$ 38,626,613</u>	<u>\$ 956,890</u>	<u>\$ (4,748,252)</u>	<u>\$ 34,835,251</u>	<u>\$ 3,978,939</u>

Debt service requirements on long-term debt at June 30, 2017 are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 1,235,000	\$ 215,192	\$ 3,920,000	\$ 480,736
2019	1,240,000	181,814	4,000,000	429,776
2020	885,000	146,470	1,400,000	3,287,776
2021	900,000	129,300	1,330,000	3,357,776
2022	920,000	111,842	1,255,000	3,432,776
2023-2027	4,845,000	285,567	10,715,000	7,626,378
Total	<u>\$ 10,025,000</u>	<u>\$ 1,070,185</u>	<u>\$ 22,620,000</u>	<u>\$ 18,615,218</u>

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Fund Balance

The following represents the classifications of the City's fund balance for fiscal year ended June 30, 2017:

	General Fund	Streets Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Totals
Nonspendable:					
Prepays	\$ 15,409	\$ -	\$ -	\$ -	\$ 15,409
Restricted:					
Streets	-	-	-	344,445	344,445
Court Improvements	39,981	-	-	-	39,981
Criminal Case Processing	41,847	-	-	-	41,847
Police Department Programs	-	-	-	91,041	91,041
Parks Capital Improvements	-	-	-	2,104,075	2,104,075
Flood Control	-	-	1,544,716	100,952	1,645,668
Police Capital Improvements	-	-	-	43,151	43,151
Summit CFD Capital Improvements	-	-	-	243,559	243,559
Fairfield CFD Capital Improvements	-	-	-	698	698
Committed					
Affordable Housing	286,058	-	-	-	286,058
Court Enhancements	135,638	-	-	-	135,638
Military Park	-	-	-	10,651	10,651
Art in Public Places	-	-	-	84,493	84,493
Capital Improvements	-	-	11,173,164	-	11,173,164
Assigned					
Debt Service	1,300,000	-	-	-	1,300,000
Budget Carryovers	718,050	-	-	-	718,050
Streets	-	735,103	-	-	735,103
Police Department Programs	-	-	-	3,460	3,460
Police Explorer's Program	-	-	-	8,233	8,233
Anti-Work Task Force	-	-	-	1,516	1,516
Special Events	-	-	-	1,683	1,683
Park Benches	-	-	-	142	142
Unassigned	8,491,539	-	-	(54,281)	8,437,258
Total Fund Balance	<u>\$ 11,028,522</u>	<u>\$ 735,103</u>	<u>\$ 12,717,880</u>	<u>\$ 2,983,818</u>	<u>\$ 27,465,323</u>

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City's insurance protection is provided by the Arizona Municipal Risk Retention Pool, a public entity risk pool currently operating as a common risk management and insurance and workers' compensation program for approximately 73 members. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. Excess coverage is for an additional \$8,000,000 per occurrence on a follow form, claims made basis. No significant insurance coverage reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The City joined the Arizona Public Employers Health Pool (APEHP) for risks of loss related to employee health and accident claims. APEHP is a public entity risk pool currently operating as a common risk management and insurance program for towns and cities in the State. The City pays monthly premiums to APEHP for its employee health and accident insurance coverage. The agreement provides that APEHP will be self-sustaining through members' premiums and will reinsure through commercial companies for claims in excess of specified amounts for each insured event.

The City joined the Arizona Municipal Workers' Compensation Pool (Pool) together with other governments in the state for risks of loss related to workers' compensation claims. The Pool is a public entity risk pool currently operating as a common risk management and insurance program for towns and cities in the State. The City is responsible for paying a premium, based on an experience rating formula that allocates pool expenditures and liabilities among members. The Pool is structured such that member's premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The Pool has the authority to assess its member's additional premiums should reserves and annual premiums be insufficient to meet the Pool's obligations.

B. Retirement Plans

Cost-Sharing and Agent Multiple Employer Pension Plans

The City contributes to the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS) for police officers. The plans are component units of the State of Arizona.

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Cost-Sharing and Agent Multiple Employer Pension Plans (Continued)

At June 30, 2017, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net Pension Liability	\$ 12,721,707	\$ 989,249	\$ 13,710,956
Deferred Outflows of Resources	3,608,630	228,756	3,837,386
Deferred Inflows of Resources	1,326,184	120,393	1,446,577
Pension Expense	1,727,395	85,338	1,812,733

The City had \$20,832 of accrued payroll and employee benefits for outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2017. Also, the City reported \$1,050,925 of pension expenditures in the governmental funds and \$66,661 of pension expenses in the enterprise funds related to all pension plans to which it contributes.

Arizona State Retirement System

Plan Description – City employees not covered by the other pension plan described on the following pages participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit (OPEB); and a cost-sharing, multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as noted on the following page.

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percentage per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits

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

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.48% (11.34% for retirement and 0.14% for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.48% (10.78% for retirement, 0.56% for the health insurance premium benefit, and 0.14% for long-term disability) of the active members' annual covered payroll.

In addition, the City was required by statute to contribute at the actuarially determined rate of 9.47% (9.17% for retirement, 0.21% for health insurance premium benefit, and 0.09% for long-term disability) of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the ASRS. The City's contributions to the pension plan for the year ended June 30, 2017, was \$612,991. The City's contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions as noted on the following page.

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Year Ended June 30,	Health Benefit Supplement Fund	Long-Term Disability Fund
2017	\$ 31,844	\$ 7,961
2016	26,283	6,308
2015	27,631	5,620

During the fiscal year ended June 30, 2017, the City paid for ASRS pension and OPEB contributions as follows: 82.1% from the General Fund and 17.9% from the Wastewater Fund.

Pension Liability – At June 30, 2017, the City reported a liability of \$8,829,130 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

The City’s reported liability at June 30, 2017, increased by \$738,358 from the City’s prior year liability of \$8,090,772 because of changes in the ASRS’ net pension liability and the City’s proportionate share of that liability. The ASRS’ publicly available financial report provides details on the change in the net pension liability.

The City’s proportion of the net pension liability was based on the City’s FY 2016 contributions. The City’s proportion measured as of June 30, 2016, was 0.054700%, which was an increase of 0.002760% from its proportion measured as of June 30, 2015.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2017, the City recognized pension expense for ASRS of \$761,652. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 53,655	\$ 607,381
Changes of assumptions or other inputs	-	467,131
Net difference between projected and actual earnings on pension plan investments	956,784	-
Changes in proportion and differences between City contributions and proportionate share of contributions	436,269	-
City contributions subsequent to the measurement date	612,991	-
Total	\$ 2,059,699	\$ 1,074,512

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

The \$612,991 reported as deferred outflows of resources related to ASRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2018	\$ (165,165)
2019	(149,147)
2020	418,228
2021	268,280

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

Actuarial Valuation Date	June 30, 2015
Actuarial Roll Forward Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8%
Projected Salary Increases	3 - 6.75%
Inflation	3%
Permanent Benefit Increase	Included
Mortality Rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Equity	58%	6.73%	3.90%
Fixed Income	25%	3.70%	0.93%
Commodities	2%	3.84%	0.08%
Real Estate	10%	4.25%	0.42%
Multi-Asset Class	5%	3.41%	0.17%
Total	<u>100%</u>		<u>5.50%</u>
Inflation			<u>3.25%</u>
Expected Arithmetic Nominal Return			<u>8.75%</u>

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8%, which is less than the long-term expected rate of return of 8.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7%) or 1 percentage point higher (9%) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
City’s Proportionate Share of the Net Pension Liability	\$ 11,257,811	\$ 8,829,130	\$ 6,881,858

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS)

Plan Description – City police employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issue publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS website at www.psprs.com.

Benefits Provided – The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as noted on the following page.

	Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012
Retirement and Disability		
Years of Service	20 years, any age	25 years, age 52.5
and Age Required to Receive Benefit	15 years, age 62	
Final Average Salary is Based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit Percent:		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<u>Survivor Benefit</u>		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

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

Employees Covered by Benefit Terms – At June 30, 2016, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police
Inactive Employees or Beneficiaries Currently Receiving Benefits	10
Inactive Employees Entitled to but not Yet Receiving Benefits	6
Active Employees	22
Total	38

Contributions and Annual OPEB Cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2017, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police
Active Members - Pension	
PSPRS members with an initial membership date on or before July 19, 2011:	
July 2016 through March 2017	11.65%
April 2017 through June 2017	7.65%
PSPRS members with an initial membership date after July 19, 2011	11.65%
City:	
Pension	25.83%
Health Insurance Premium Benefit	0.00%

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

In addition, statute required the City to contribute at the actuarially determined rate of 14.33% of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the PSPRS would typically fill.

For the agent plans, the City’s contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2017, were:

	PSPRS Police
Pension:	
Contributions Made	\$ 504,595
Health Insurance Premium Benefit:	
Annual OPEB Cost	-
Contributions Made	-

During the fiscal year 2016, the City paid for PSPRS and OPEB contributions 100% from the General Fund.

Pension Liability – At June 30, 2017, the City reported the following net pension liability:

	Net Pension Liability
PSPRS Police	\$ 4,881,827

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2016, reflects the following changes of benefit terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS’ automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.
- Law 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85% to 7.50% for PSPRS plans.

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the City's net pension liabilities as a result of these changes is not known.

Pension Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.50%
Projected Salary Increases	4.0% - 8.0%
Inflation	4.0%
Permanent Benefit Increase	Included
Mortality Rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.50% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Short-Term Investments	2%	0.75%
Risk Parity	4%	5.13%
Absolute Return	5%	4.11%
Fixed Income	7%	2.92%
Real Assets	8%	4.77%
GTAA	10%	4.38%
Real Estate	10%	4.48%
Private Equity	11%	9.50%
Credit Opportunities	13%	7.08%
Non-U.S. Equity	14%	8.25%
U.S. Equity	16%	6.23%
Total	100%	

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

Pension Discount Rates – The following discount rates were used to measure the total pension liabilities:

	PSPRS
	Police
Discount Rates	7.50%

At June 30, 2016, the discount rate used to measure the PSPRS total pension liabilities was 7.50%, which was a decrease of 0.35% from the discount rate used as of June 30, 2015. The projection of cash flows used to determine the PSPRS discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Agent Plans Net Pension Liability – The following tables present changes in the City's net pension liability for the PSPRS – Police pension plans as follows:

	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances as of June 30, 2016	\$ 9,140,207	\$ 5,563,091	\$ 3,577,116
Changes for the Year:			
Service Cost	292,709	-	292,709
Interest on the Total Pension Liability	710,713	-	710,713
Changes of Benefit Terms	485,931	-	485,931
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	108,055	-	108,055
Changes of Assumptions or Other Inputs	411,683		411,683
Contributions - Employer	-	483,472	(483,472)
Contributions - Employee	-	182,485	(182,485)
Net Investment Income	-	35,088	(35,088)
Benefit Payments, Including Refunds of Employee Contributions	(465,793)	(465,793)	-
Administrative Expenses	-	(5,449)	5,449
Other Changes	-	8,784	(8,784)
Net Changes	1,543,298	238,587	1,304,711
Balances as of June 30, 2017	\$ 10,683,505	\$ 5,801,678	\$ 4,881,827

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate – The following table presents the City's net pension liability calculated using the discount rates noted above, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
PSPRS Police:			
Rate	6.50%	7.50%	8.50%
Net Pension Liability	\$ 6,363,193	\$ 4,881,827	\$ 3,666,821

Pension Plan Fiduciary Net Position – Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS financial reports.

Pension Expense – For the year ended June 30, 2017, the City recognized the following pension expense:

	<u>Pension Expense</u>
PSPRS Police	\$ 1,051,081

Pension Deferred Outflows/Inflows of Resources – At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS - Police	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 90,974	\$ 372,065
Changes of assumptions or other inputs	828,059	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	354,059	-
City Contributions Subsequent to the Measurement Date	504,595	-
Total	<u>\$ 1,777,687</u>	<u>\$ 372,065</u>

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

The \$504,595 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	PSPRS Police
2018	\$ 195,238
2019	195,237
2020	248,217
2021	177,615
2022	57,930
Thereafter	26,790

Agent Plan OPEB Actuarial Assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

Projections of benefits are based on (1) the plans as understood by the City and plans' members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the City and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2017 contribution requirements, are as follows:

PSPRS Contribution Requirements

Actuarial Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent closed for underfunded actuarial accrued liability, open for excess
Remaining Amortization Period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions:	
Investment Rate of Return	7.85%
Projected Salary Increases	4.0% - 8.0%
Wage Growth	4.0%

Agent Plan OPEB Trend Information – The table below presents the annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years:

<u>Year Ended June 30.</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
PSPRS Police:			
2017	\$ -	100.00%	\$ -
2016	-	100.00	-
2015	15,257	100.00	-

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Public Safety Personnel Retirement System (Continued)

Agent Plan OPEB Funded Status – The funded status of the health insurance premium benefit plans as of the most recent valuation date, June 30, 2016 is as follows:

	PSPRS Police
Actuarial Value of Assets (a)	\$ 287,214
Actuarial Accrued Liability (b)	181,565
Unfunded Actuarial Accrued Liability (Funding Excess) (b) - (a)	(105,649)
Funded Ratio (a) / (b)	158.19%
Annual Covered Payroll (c)	1,559,452
Unfunded Actuarial Accrued Liability (Funding Excess) as a Percentage of Covered Payroll (b) - (a) / (c)	-6.77%

The funded status of the all the PSPRS health insurance premium benefit plans in the June 30, 2016 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

PSPRS

Actuarial Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent closed for underfunded actuarial accrued liability, open for excess
Remaining Amortization Period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	4.0% - 8.0%
Wage Growth	4.0%

C. Contingent Liabilities

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of City management, based on the advice of the City Attorney with respect to such litigation, such matters will not have a material adverse effect on the City's financial position for the period ending June 30, 2017.

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Budgetary Basis

The City's adopted budget is prepared on a basis consistent with U.S. generally accepted accounting principles, with the following exception:

- 1) The General Fund as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance includes the proceeds from capital leases as an Other Financing Source and an offsetting Public Safety functional expenditure. This activity is not included in the City's adopted budget approved by Council.

The following adjustments are necessary to present expenditures and other financing sources and uses on a budgetary basis in order to present the General Fund for budgetary purposes.

	Total Expenditures	Other Financing Sources and Uses
Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 17,239,190	\$ (6,680,051)
Capital lease proceeds and expenditures included in Statement of Revenues, Expenditures and Changes in Fund Balance	<u>(438,309)</u>	<u>(438,309)</u>
Budgetary Comparison Schedule - General Fund	<u>\$ 16,800,881</u>	<u>\$ (7,118,360)</u>

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**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A**

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**CITY OF SEDONA, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COST SHARING PENSION PLANS
JUNE 30, 2017 AND TWO YEARS PRIOR**

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
City's Proportion of the Net Pension Liability	0.054700%	0.051940%	0.050427%
City's Proportionate Share of the Net Pension Liability	\$ 8,829,130	\$ 8,090,772	\$ 7,461,507
City's Covered Payroll	5,674,189	5,180,296	4,898,994
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	155.60%	156.18%	152.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.06%	68.35%	69.49%

CITY OF SEDONA, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
AGENT PENSION PLANS
JUNE 30, 2017

PSPRS Police

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Total Pension Liability			
Service Cost	\$ 292,709	\$ 299,781	\$ 226,906
Interest on the Total Pension Liability	710,713	690,996	603,199
Changes of Benefit Terms	485,931	-	141,278
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	108,055	(309,534)	(285,532)
Changes of Assumptions or Other Inputs	411,683	-	872,086
Benefit Payments, Including Refunds of Employee Contributions	(465,793)	(387,285)	(564,587)
Net Change in Total Pension Liability	<u>1,543,298</u>	<u>293,958</u>	<u>993,350</u>
Total Pension Liability - Beginning	<u>9,140,207</u>	<u>8,846,249</u>	<u>7,852,899</u>
Total Pension Liability - Ending (a)	<u>10,683,505</u>	<u>9,140,207</u>	<u>8,846,249</u>
Plan Fiduciary Net Position			
Contributions - Employer	483,472	396,718	287,018
Contributions - Employee	182,485	185,850	158,370
Net Investment Income	35,088	193,322	647,862
Benefit Payments, Including Refunds of Employee Contributions	(465,793)	(387,285)	(564,587)
Administrative Expenses	(5,449)	(5,098)	-
Other Changes	8,784	4,796	(241,967)
Net Change in Plan Fiduciary Net Position	<u>238,587</u>	<u>388,303</u>	<u>286,696</u>
Plan Fiduciary Net Position - Beginning	<u>5,563,091</u>	<u>5,174,788</u>	<u>4,888,092</u>
Plan Fiduciary Net Position - Ending (b)	<u>5,801,678</u>	<u>5,563,091</u>	<u>5,174,788</u>
City's Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 4,881,827</u>	<u>\$ 3,577,116</u>	<u>\$ 3,671,461</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.31%	60.86%	58.50%
Covered Payroll	\$ 1,620,810	\$ 1,983,869	\$ 1,881,985
City's Net Pension Liability (Asset) as a Percentage of Covered Payroll	301.20%	180.31%	222.26%

CITY OF SEDONA, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SCHEDULE OF CITY PENSION CONTRIBUTIONS
JUNE 30, 2017

Arizona State Retirement System

	Reporting Fiscal Year			
	2017	2016	2015	2014
Statutorily Required Contribution	\$ 612,991	\$ 570,333	\$ 520,998	\$ 509,997
City's Contribution in Relation to the Statutorily Required Contribution	612,991	570,333	520,998	509,997
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 5,674,189	\$ 5,180,296	\$ 4,898,994	\$ 4,658,483
City's Contributions as a Percentage of Covered Payroll	10.80%	11.01%	10.63%	10.95%

PSPRS Police

	Reporting Fiscal Year			
	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 431,195	\$ 431,873	\$ 293,040	\$ 287,018
City's Contribution in Relation to the Actuarially Determined Contribution	504,595	431,873	293,040	287,018
City's Contribution Deficiency (Excess)	<u>\$ (73,400)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 1,620,810	\$ 1,983,869	\$ 1,881,985	\$ 1,651,848
City's Contributions as a Percentage of Covered Payroll	26.60%	21.77%	15.57%	17.38%

**CITY OF SEDONA, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
 NOTES TO PENSION SCHEDULES
 JUNE 30, 2017**

NOTE 1 ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial Cost Method	Entry age normal
Amortization Level	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining Amortization Period as of the 2015 Actuarial Valuation	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions:	
Investment Rate of Return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected Salary Increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0% .
Wage Growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%.
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females).

NOTE 2 INFORMATION PRIOR TO MEASUREMENT DATE

Information prior to the measurement date (June 30, 2014) was not available. Additional years will be added as information becomes available to provide a ten-year history.

NOTE 3 FACTORS THAT AFFECT TRENDS

In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases. These changes are included in the PSPRS' changes in total pension liability for fiscal year 2015 (measurement date 2014) in the schedule of changes in the City's net pension liability and related ratios. These changes also increased the PSPRS' required contributions beginning in fiscal year 2016 in the schedule of county pension contributions.

**CITY OF SEDONA, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS
JUNE 30, 2017**

Health Insurance Premium Benefits

Actuarial Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (Funding Excess)	Funded Ratio	Annual Covered Payroll	UAAL (Funding Excess) as a Percentage of Covered Payroll
PSPRS Police						
2016	\$ 287,214	\$ 181,565	\$ (105,649)	158.19%	\$ 1,559,452	0.00%
2015	276,971	169,865	(107,106)	163.05%	1,557,553	0.00%
2014	247,352	140,876	(106,476)	175.58%	1,651,848	0.00%

**CITY OF SEDONA, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
NOTES TO SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS
JUNE 30, 2017**

NOTE 1 FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

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

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Grants and Donations Fund - To account for federal, state and other grants and contributions which are restricted for a specific use.

CAPITAL PROJECTS FUNDS

Summit II Community Facilities District Fund - To account for the operations of the Summit II Community Facilities District that provides general infrastructure and capital assets for the property within the District's boundaries.

Fairfield Community Facilities District Fund - To account for the operations of the Fairfield Community Facilities District that provides general infrastructure and capital assets for the property within the District's boundaries.

Art in Public Places Fund - To account for monies received from the estate of Stella Carruth and other assigned resources which are used for park and recreation improvements.

Development Impact Fees Fund – To account for development impact fees earmarked for costs incurred by the City, generally for capital acquisition or related debt service necessitated by new development. The City's Land Development Code Ordinance, sec. 1608.03(C) provides that any portion of the development impact fee that has not been spent within ten years for improvements that provide a beneficial use to the development that paid the fee shall be refunded. Arizona State case law (Home Builders Ass'n of Cent. Arizona v. City of Scottsdale, 187 Ariz. 479 (1997)) held that the enabling statute for imposition of development impact fees only implicitly requires that municipality develop plans indicating a good faith intent to use the fees to provide services within a reasonable time.

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**CITY OF SEDONA, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Special Revenue	Capital Projects				Total Nonmajor Governmental Funds
	Grants and Donations	Summit II CFD	Fairfield CFD	Art in Public Places	Development Impact Fees	
Assets						
Cash and Investments	\$ 90,986	\$ 256,187	\$ -	\$ 84,493	\$ 2,678,053	\$ 3,109,719
Receivables						
Taxes Receivable	-	1,243	30,381	-	-	31,624
Intergovernmental Receivable	80,529	-	-	-	-	80,529
Total Assets	\$ 171,515	\$ 257,430	\$ 30,381	\$ 84,493	\$ 2,678,053	\$ 3,221,872
Liabilities and Fund Balance						
Liabilities						
Accounts Payable	\$ 48,507	\$ 13,871	\$ 5,777	\$ -	\$ 118,725	\$ 186,880
Interest Payable	-	-	-	-	212	212
Due to Other Funds	-	-	23,906	-	-	23,906
Unearned Revenue	6,282	-	-	-	-	6,282
Matured Debt Principal Payable	-	-	-	-	20,774	20,774
Total Liabilities	54,789	13,871	29,683	-	139,711	238,054
Fund Balance						
Restricted	91,041	243,559	698	-	2,592,623	2,927,921
Committed	10,651	-	-	84,493	-	95,144
Assigned	15,034	-	-	-	-	15,034
Unassigned	-	-	-	-	(54,281)	(54,281)
Total Fund Balance	116,726	243,559	698	84,493	2,538,342	2,983,818
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 171,515	\$ 257,430	\$ 30,381	\$ 84,493	\$ 2,678,053	\$ 3,221,872

CITY OF SEDONA, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2017

	Special	Capital Projects				Total Nonmajor Governmental Funds
	Revenue	Grants and Donations	Summit II CFD	Fairfield CFD	Art in Public Places	
Revenue						
In Lieu Taxes	\$ -	\$ 48,543	\$ 150,356	\$ -	\$ -	\$ 198,899
Intergovernmental Revenue	248,251	-	-	-	-	248,251
Charges for Services	1,416	-	-	-	-	1,416
Contributions and Donations	21,474	-	-	6,198	-	27,672
Impact Fees	-	-	-	-	618,741	618,741
Investment Earnings	234	769	2,801	330	20,716	24,850
Other	-	-	-	-	14,801	14,801
Total Revenue	271,375	49,312	153,157	6,528	654,258	1,134,630
Expenditures						
Current						
General Government	203,892	-	-	-	-	203,892
Public Safety	33,857	-	-	-	-	33,857
Culture and Recreation	32,377	-	-	-	-	32,377
Debt Service						
Principal Retirement	-	-	-	-	20,774	20,774
Interest on Long-Term Debt	-	-	-	-	424	424
Capital Outlay	42,830	119,132	934,239	-	818,729	1,914,930
Total Expenditures	312,956	119,132	934,239	-	839,927	2,206,254
Excess (Deficiency) of Revenue Over Expenditures	(41,581)	(69,820)	(781,082)	6,528	(185,669)	(1,071,624)
Other Financing Sources (Uses)						
Transfers In	-	-	-	24,298	-	24,298
Net Change in Fund Balance	(41,581)	(69,820)	(781,082)	30,826	(185,669)	(1,047,326)
Fund Balance						
Beginning of Year	158,307	313,379	781,780	53,667	2,724,011	4,031,144
End of Year	\$ 116,726	\$ 243,559	\$ 698	\$ 84,493	\$ 2,538,342	\$ 2,983,818

**CITY OF SEDONA, ARIZONA
CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
Intergovernmental Revenue	\$ 665,976	\$ 792,993	\$ 127,017
Contributions and Donations	300,000	37,500	(262,500)
Investment Earnings	-	32,852	32,852
Total Revenue	<u>965,976</u>	<u>863,345</u>	<u>(102,631)</u>
Expenditures			
Capital Outlay	<u>3,312,786</u>	<u>2,677,560</u>	<u>635,226</u>
Excess (Deficiency) of Revenue Over Expenditures	(2,346,810)	(1,814,215)	532,595
Other Financing Sources (Uses)			
Transfers In	8,569,787	2,729,149	(5,840,638)
Transfers Out	(26,750)	(24,298)	2,452
Total Other Financing Sources (Uses)	<u>8,543,037</u>	<u>2,704,851</u>	<u>(5,838,186)</u>
Net Change in Fund Balance	6,196,227	890,636	(5,305,591)
Fund Balance			
Beginning of Year	6,053,968	11,827,244	5,773,276
End of Year	<u>\$ 12,250,195</u>	<u>\$ 12,717,880</u>	<u>\$ 467,685</u>

**CITY OF SEDONA, ARIZONA
GRANTS AND DONATIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue				
Intergovernmental Revenue	\$ 380,000	\$ 380,000	\$ 248,251	\$ (131,749)
Charges for Services	5,500	5,500	1,416	(4,084)
Contributions and Donations	35,000	35,000	21,474	(13,526)
Investment Earnings	-	-	234	234
Total Revenue	<u>420,500</u>	<u>420,500</u>	<u>271,375</u>	<u>(149,125)</u>
Expenditures				
Current				
General Government	300,000	272,450	203,892	68,558
Public Safety	-	27,550	33,857	(6,307)
Culture and Recreation	40,500	40,212	32,377	7,835
Capital Outlay	<u>80,000</u>	<u>80,288</u>	<u>42,830</u>	<u>37,458</u>
Total Expenditures	<u>420,500</u>	<u>420,500</u>	<u>312,956</u>	<u>107,544</u>
Net Change in Fund Balance	-	-	(41,581)	(41,581)
Fund Balance				
Beginning of Year	164,184	164,184	158,307	(5,877)
End of Year	<u>\$ 164,184</u>	<u>\$ 164,184</u>	<u>\$ 116,726</u>	<u>\$ (47,458)</u>

**CITY OF SEDONA, ARIZONA
SUMMIT II COMMUNITY FACILITIES DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
Taxes			
In Lieu Taxes	\$ 36,500	\$ 48,543	\$ 12,043
Investment Earnings	500	769	269
Total Revenue	<u>37,000</u>	<u>49,312</u>	<u>12,312</u>
Expenditures			
Capital Outlay	<u>150,000</u>	<u>119,132</u>	<u>30,868</u>
Excess (Deficiency) of Revenue Over Expenditures	(113,000)	(69,820)	43,180
Fund Balance			
Beginning of Year	312,177	313,379	1,202
End of Year	<u>\$ 199,177</u>	<u>\$ 243,559</u>	<u>\$ 44,382</u>

**CITY OF SEDONA, ARIZONA
 FAIRFIELD COMMUNITY FACILITIES DISTRICT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL
 FISCAL YEAR ENDED JUNE 30, 2017**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Taxes			
In Lieu Taxes	\$ 120,000	\$ 150,356	\$ 30,356
Investment Earnings	2,000	2,801	801
Total Revenue	122,000	153,157	31,157
Expenditures			
Capital Outlay	1,264,749	934,239	330,510
Excess (Deficiency) of Revenue Over Expenditures	(1,142,749)	(781,082)	361,667
Fund Balance			
Beginning of Year	1,271,364	781,780	(489,584)
End of Year	\$ 128,615	\$ 698	\$ (127,917)

**CITY OF SEDONA, ARIZONA
ART IN PUBLIC PLACES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
Contributions and Donations	\$ -	\$ 6,198	\$ 6,198
Investment Earnings	11,849	330	(11,519)
Total Revenue	<u>11,849</u>	<u>6,528</u>	<u>(5,321)</u>
Expenditures			
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenue Over Expenditures	11,849	6,528	(5,321)
Other Financing Sources (Uses)			
Transfers In	<u>30,010</u>	<u>24,298</u>	<u>(5,712)</u>
Net Change in Fund Balance	41,859	30,826	(11,033)
Fund Balance			
Beginning of Year	63,048	53,667	(9,381)
End of Year	<u>\$ 104,907</u>	<u>\$ 84,493</u>	<u>\$ (20,414)</u>

**CITY OF SEDONA, ARIZONA
DEVELOPMENT IMPACT FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Impact Fees	\$ 191,000	\$ 191,000	\$ 618,741	\$ 427,741
Investment Earnings	10,000	10,000	20,716	10,716
Other	-	-	14,801	14,801
Total Revenue	<u>201,000</u>	<u>201,000</u>	<u>654,258</u>	<u>453,258</u>
Expenditures				
Current				
General Government	30,000	-	-	-
Debt Service				
Principal Retirement	-	20,774	20,774	-
Interest on Long-Term Debt	-	424	424	-
Capital Outlay	<u>2,513,860</u>	<u>2,513,860</u>	<u>818,729</u>	<u>1,695,131</u>
Total Expenditures	<u>2,543,860</u>	<u>2,535,058</u>	<u>839,927</u>	<u>1,695,131</u>
Excess (Deficiency) of Revenue Over Expenditures	(2,342,860)	(2,334,058)	(185,669)	2,148,389
Other Finance Sources (Uses)				
Transfers Out	<u>(3,260)</u>	<u>(3,260)</u>	<u>-</u>	<u>3,260</u>
Net Change in Fund Balance	(2,346,120)	(2,337,318)	(185,669)	2,151,649
Fund Balance				
Beginning of Year	<u>2,727,228</u>	<u>2,727,228</u>	<u>2,724,011</u>	<u>(3,217)</u>
End of Year	<u>\$ 381,108</u>	<u>\$ 389,910</u>	<u>\$ 2,538,342</u>	<u>\$ 2,148,432</u>

**CITY OF SEDONA, ARIZONA
WASTEWATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL (BUDGETARY BASIS)
FISCAL YEAR ENDED JUNE 30, 2017**

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenue				
Charges for Services	\$ 5,968,544	\$ 5,968,544	\$ 5,932,917	\$ (35,627)
Capacity Fees	275,000	275,000	1,167,388	892,388
Investment Earnings	155,100	155,100	78,287	(76,813)
Other	5,220	5,220	15,087	9,867
Total Revenue	<u>6,403,864</u>	<u>6,403,864</u>	<u>7,193,679</u>	<u>789,815</u>
Expenditures				
General Government				
Salaries, Wages and Benefits	1,472,560	1,486,978	1,563,851	(76,873)
Supplies and Other	2,311,009	2,275,209	1,920,133	355,076
Capital Outlay	3,169,750	3,205,550	1,997,433	1,208,117
Debt Service	5,151,325	5,151,325	5,144,494	6,831
Total Expenditures	<u>12,104,644</u>	<u>12,119,062</u>	<u>10,625,911</u>	<u>1,493,151</u>
Excess of Revenue Over Expenditures	(5,700,780)	(5,715,198)	(3,432,232)	2,282,966
Other Financing Sources (Uses)				
Transfers In	<u>3,881,668</u>	<u>3,881,668</u>	<u>4,038,211</u>	<u>156,543</u>
Net Change in Fund Balance	(1,819,112)	(1,833,530)	605,979	2,439,509
Net Position				
Beginning of Year	14,792,117	14,792,117	13,597,903	(1,194,214)
End of Year	<u>\$ 12,973,005</u>	<u>\$ 12,958,587</u>	<u>\$ 14,203,882</u>	<u>\$ 1,245,295</u>

Reconciliation to Net Position per Statement of Revenues, Expenses and Changes in Net Position:

Net Position, end of year, budgetary basis	\$ 14,203,882
Adjustments to reconcile to net position:	
Adjustments from prior years	60,214,962
Depreciation:	
Capital Outlay	(2,853,783)
Principal paid on long-term debt	1,997,433
Premium on long-term debt	4,565,300
Decrease in deferred charges on refunding	112,138
Capitalized Interest	(54,750)
Increase in long-term interest payable	348,827
Decrease in compensated absences	(838,847)
Increase in deferred outflows related to pensions	4,413
Increase in net pension liability	104,246
Increase in deferred inflows	(51,642)
	(41,213)
Net Position, end of year	<u>\$ 77,710,966</u>

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STATISTICAL SECTION

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

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help readers assess the City's most significant local revenue source, the sales tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF SEDONA, ARIZONA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2008	2009	2010	2011
Governmental Activities				
Net Investment in Capital Assets	\$ 26,187,433	\$ 21,797,059	\$ 21,081,629	\$ 17,056,529
Restricted	7,688,303	10,987,109	9,929,271	9,048,404
Unrestricted	11,844,887	10,631,798	12,024,471	17,799,316
Total Governmental Activities Net Position	<u>\$ 45,720,623</u>	<u>\$ 43,415,966</u>	<u>\$ 43,035,371</u>	<u>\$ 43,904,249</u>
Business-type Activities				
Net Investment in Capital Assets	\$ 31,881,724	\$ 39,941,637	\$ 46,616,756	\$ 49,649,202
Restricted	587,477	100,818	92,327	-
Unrestricted	24,903,093	18,611,712	13,437,348	12,356,418
Total Business-type Activities Net Position	<u>\$ 57,372,294</u>	<u>\$ 58,654,167</u>	<u>\$ 60,146,431</u>	<u>\$ 62,005,620</u>
Primary Government				
Net Investment in Capital Assets	\$ 58,069,157	\$ 61,738,696	\$ 67,698,385	\$ 66,705,731
Restricted	8,275,780	11,087,927	10,021,598	9,048,404
Unrestricted	36,747,980	29,243,510	25,461,819	30,155,734
Total Primary Government Net Position	<u>\$103,092,917</u>	<u>\$102,070,133</u>	<u>\$103,181,802</u>	<u>\$105,909,869</u>

Source: City of Sedona, Arizona's Finance Department.

Fiscal Year					
2012	2013	2014	(Restated) 2015	2016	2017
\$ 17,287,440	\$ 18,019,228	\$ 21,865,051	\$ 25,882,022	\$ 27,547,603	\$ 30,918,472
9,015,587	10,514,851	6,770,279	7,782,359	6,399,927	4,554,465
17,968,102	14,612,403	17,575,929	7,433,194	10,840,148	13,241,796
<u>\$ 44,271,129</u>	<u>\$ 43,146,482</u>	<u>\$ 46,211,259</u>	<u>\$ 41,097,575</u>	<u>\$ 44,787,678</u>	<u>\$ 48,714,733</u>
\$ 53,703,021	\$ 55,694,859	\$ 58,299,026	\$ 62,473,972	\$ 65,972,609	\$ 70,267,474
-	-	-	-	-	-
11,054,014	10,366,261	10,300,251	7,449,791	7,840,256	7,443,492
<u>\$ 64,757,035</u>	<u>\$ 66,061,120</u>	<u>\$ 68,599,277</u>	<u>\$ 69,923,763</u>	<u>\$ 73,812,865</u>	<u>\$ 77,710,966</u>
\$ 70,990,461	\$ 73,714,087	\$ 80,164,077	\$ 88,355,994	\$ 93,520,212	\$101,185,946
9,015,587	10,514,851	6,770,279	7,782,359	6,399,927	4,554,465
29,022,116	24,978,664	27,876,180	14,882,985	18,680,404	20,685,288
<u>\$109,028,164</u>	<u>\$109,207,602</u>	<u>\$114,810,536</u>	<u>\$111,021,338</u>	<u>\$118,600,543</u>	<u>\$126,425,699</u>

**CITY OF SEDONA, ARIZONA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2008	2009	2010	2011
Expenses				
Governmental Activities:				
General Government	\$ 7,600,727	\$ 8,608,913	\$ 7,445,612	\$ 5,688,858
Public Safety	3,717,862	3,643,936	3,618,539	3,009,197
Public Works and Streets	2,449,337	5,620,499	4,899,328	2,531,632
Community and Economic Development	-	-	-	-
Community Services	1,058,508	1,037,534	815,848	1,357,077
Culture and Recreation	-	-	-	-
Economic Development	-	-	-	-
Interest on Long-Term Debt	309,469	755,167	636,191	583,175
Total Governmental Activities	<u>15,135,903</u>	<u>19,666,049</u>	<u>17,415,518</u>	<u>13,169,939</u>
Business-Type Activities				
Wastewater	7,802,135	8,197,653	7,773,970	7,618,142
Total Business-Type Activities	<u>7,802,135</u>	<u>8,197,653</u>	<u>7,773,970</u>	<u>7,618,142</u>
Total Primary Government Expenses	<u><u>\$ 22,938,038</u></u>	<u><u>\$ 27,863,702</u></u>	<u><u>\$ 25,189,488</u></u>	<u><u>\$ 20,788,081</u></u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$ 687,888	\$ 705,542	\$ 717,236	\$ 189,417
Public Safety	52,491	96,472	42,929	200,129
Public Works and Streets	364,474	200,290	159,839	139,856
Economic Development	-	-	-	-
Community Services	40,590	103,587	124,140	57,475
Culture and Recreation	-	-	-	-
Interest on Long-Term Debt	17,340	5,553	-	-
Operating Grants and Contributions	1,844,555	2,024,396	2,185,565	1,732,206
Capital Grants and Contributions	550,975	337,391	426,903	918,037
Total Governmental Activities Program Revenues	<u>3,558,313</u>	<u>3,473,231</u>	<u>3,656,612</u>	<u>3,237,120</u>
Business-Type Activities				
Charges for Services:				
Wastewater	3,696,431	3,789,413	4,335,777	4,393,291
Capital Grants and Contributions	-	-	-	-
Total Business-Type Activities Program Revenues	<u>3,696,431</u>	<u>3,789,413</u>	<u>4,335,777</u>	<u>4,393,291</u>
Total Primary Government Program Revenues	<u><u>\$ 7,254,744</u></u>	<u><u>\$ 7,262,644</u></u>	<u><u>\$ 7,992,389</u></u>	<u><u>\$ 7,630,411</u></u>

Fiscal Year					
2012	2013	2014	(Restated) 2015	2016	2017
\$ 5,602,556	\$ 5,231,759	\$ 5,314,798	\$ 5,802,810	\$ 6,564,561	\$ 6,103,129
2,486,555	2,654,768	3,691,142	4,208,855	4,353,279	5,357,797
3,204,078	5,635,022	3,986,709	3,352,131	3,025,476	4,534,423
-	1,834,854	932,919	2,200,510	-	-
2,004,255	974,564	426,571	-	-	-
-	-	-	557,038	1,810,593	1,928,332
-	-	-	-	1,336,234	2,261,269
567,901	559,672	563,158	442,506	319,545	296,144
<u>13,865,345</u>	<u>16,890,639</u>	<u>14,915,297</u>	<u>16,563,850</u>	<u>17,409,688</u>	<u>20,481,094</u>
7,618,960	8,090,104	7,890,927	8,159,579	7,137,688	7,333,789
<u>7,618,960</u>	<u>8,090,104</u>	<u>7,890,927</u>	<u>8,159,579</u>	<u>7,137,688</u>	<u>7,333,789</u>
<u>\$ 21,484,305</u>	<u>\$ 24,980,743</u>	<u>\$ 22,806,224</u>	<u>\$ 24,723,429</u>	<u>\$ 24,547,376</u>	<u>\$ 27,814,883</u>
\$ 289,510	\$ 78,355	\$ 89,021	\$ 318,200	\$ 674,762	\$ 661,395
202,465	154,786	134,164	49,218	31,570	24,743
27,583	90,065	70,943	3,870	4,745	4,690
-	22,270	381,803	402,483	-	-
64,714	68,367	57,697	95,716	-	-
-	-	-	-	104,217	121,295
-	-	-	-	-	-
1,776,788	1,970,762	1,844,336	1,119,695	1,056,235	1,213,350
<u>688,239</u>	<u>779,462</u>	<u>758,272</u>	<u>1,640,791</u>	<u>1,177,321</u>	<u>1,924,413</u>
<u>3,049,299</u>	<u>3,164,067</u>	<u>3,336,236</u>	<u>3,629,973</u>	<u>3,048,850</u>	<u>3,949,886</u>
5,159,442	5,884,685	5,908,088	6,093,385	6,349,506	5,934,888
-	-	-	-	-	1,167,388
<u>5,159,442</u>	<u>5,884,685</u>	<u>5,908,088</u>	<u>6,093,385</u>	<u>6,349,506</u>	<u>7,102,276</u>
<u>\$ 8,208,741</u>	<u>\$ 9,048,752</u>	<u>\$ 9,244,324</u>	<u>\$ 9,723,358</u>	<u>\$ 9,398,356</u>	<u>\$ 11,052,162</u>

(Continued)

**CITY OF SEDONA, ARIZONA
CHANGES IN NET POSITION (CONCLUDED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

(Concluded)	Fiscal Year			
	2008	2009	2010	2011
Net (Expense)/Revenue				
Governmental Activities	\$ (11,577,590)	\$ (16,192,818)	\$ (13,758,906)	\$ (9,932,819)
Business-Type Activities	(4,105,704)	(4,408,240)	(3,438,193)	(3,224,851)
Total Primary Government Net Expense	<u>\$ (15,683,294)</u>	<u>\$ (20,601,058)</u>	<u>\$ (17,197,099)</u>	<u>\$ (13,157,670)</u>
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Sales Taxes	\$ 8,571,160	\$ 8,097,544	\$ 7,208,703	\$ 7,799,486
Franchise Taxes	667,237	661,177	666,326	699,088
In Lieu Taxes	304,252	569,667	393,293	-
Impact Fees	-	-	-	-
State urban revenue sharing	1,538,883	1,637,088	1,411,823	1,064,334
State Sales Taxes	1,004,970	870,023	802,470	830,562
Auto-in-Lieu	585,027	593,707	551,996	543,380
Investment Earnings	1,021,475	735,011	533,139	166,085
Gain on Sale of Capital Assets	-	-	-	-
Other	44,351	244,088	1,405,705	88,974
Transfers	-	479,856	404,856	-
Total Governmental Activities	<u>13,737,355</u>	<u>13,888,161</u>	<u>13,378,311</u>	<u>11,191,909</u>
Business-Type Activities:				
Sales Taxes	5,683,318	5,435,186	4,925,801	5,413,073
Investment Earnings	1,423,139	734,783	409,512	134,460
Other	-	-	-	-
Transfers	-	(479,856)	(404,856)	-
Total Business-Type Activities	<u>7,106,457</u>	<u>5,690,113</u>	<u>4,930,457</u>	<u>5,547,533</u>
Total Primary Government	<u>\$ 20,843,812</u>	<u>\$ 19,578,274</u>	<u>\$ 18,308,768</u>	<u>\$ 16,739,442</u>
Change in Net Position				
Governmental Activities	\$ 2,159,765	\$ (2,304,657)	\$ (380,595)	\$ 1,259,090
Business-Type Activities	3,000,753	1,281,873	1,492,264	2,322,682
Total Primary Government	<u>\$ 5,160,518</u>	<u>\$ (1,022,784)</u>	<u>\$ 1,111,669</u>	<u>\$ 3,581,772</u>

Fiscal Year					
2012	2013	2014	(Restated) 2015	2016	2017
\$ (10,816,046)	\$ (13,726,572)	\$ (11,579,061)	\$ (12,933,877)	\$ (14,360,838)	\$ (16,531,208)
(2,459,518)	(2,205,419)	(1,982,839)	(2,066,194)	(788,182)	(231,513)
<u>\$ (13,275,564)</u>	<u>\$ (15,931,991)</u>	<u>\$ (13,561,900)</u>	<u>\$ (15,000,071)</u>	<u>\$ (15,149,020)</u>	<u>\$ (16,762,721)</u>
\$ 7,729,483	\$ 8,824,918	\$ 10,400,704	\$ 12,050,907	\$ 18,004,940	\$ 19,983,931
713,577	720,455	738,631	766,728	789,754	786,882
380,270	692,049	500,968	488,937	622,224	630,532
-	-	-	-	-	-
846,624	1,024,645	1,118,082	1,214,315	1,207,731	1,270,897
783,825	821,056	873,126	916,721	948,696	950,879
476,438	483,343	508,519	534,404	577,681	606,030
215,593	127,098	255,995	210,386	307,030	159,363
-	-	-	-	11,806	-
37,116	64,367	164,187	22,863	78,629	107,960
-	63,842	83,626	88,235	(4,497,550)	(4,038,211)
<u>11,182,926</u>	<u>12,821,773</u>	<u>14,643,838</u>	<u>16,293,496</u>	<u>18,050,941</u>	<u>20,458,263</u>
5,002,648	4,638,664	4,478,074	4,046,986	-	-
208,284	111,930	126,548	73,193	179,734	78,287
-	-	-	-	-	13,116
-	(63,842)	(83,626)	(88,235)	4,497,550	4,038,211
<u>5,210,932</u>	<u>4,686,752</u>	<u>4,520,996</u>	<u>4,031,944</u>	<u>4,677,284</u>	<u>4,129,614</u>
<u>\$ 16,393,858</u>	<u>\$ 17,508,525</u>	<u>\$ 19,164,834</u>	<u>\$ 20,325,440</u>	<u>\$ 22,728,225</u>	<u>\$ 24,587,877</u>
\$ 366,880	\$ (1,124,647)	\$ 3,064,777	\$ 3,359,619	\$ 3,690,103	\$ 3,927,055
2,751,414	1,304,085	2,538,157	1,965,750	3,889,102	3,898,101
<u>\$ 3,118,294</u>	<u>\$ 179,438</u>	<u>\$ 5,602,934</u>	<u>\$ 5,325,369</u>	<u>\$ 7,579,205</u>	<u>\$ 7,825,156</u>

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**CITY OF SEDONA, ARIZONA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year		
	2008	2009	2010
General Fund:			
Unreserved	<u>\$10,273,435</u>	<u>\$ 9,468,179</u>	<u>\$11,157,413</u>
All Other Governmental Funds			
Unreserved, Reported in:			
Special Revenue Funds	\$ 3,815,146	\$ 3,662,174	\$ 2,700,657
Debt Service Funds	225,510	(1,923)	-
Capital Projects Funds	<u>12,754,384</u>	<u>10,829,107</u>	<u>10,163,223</u>
Total All Other Governmental Funds	<u>\$16,795,040</u>	<u>\$14,489,358</u>	<u>\$12,863,880</u>

	Fiscal Year						
	2011	2012	2013	2014	2015	2016	2017
General Fund:							
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,203	\$ 15,409
Restricted	-	-	-	-	1,794,750	77,855	81,828
Committed	-	-	-	1,626,131	-	389,240	421,696
Assigned	-	-	-	-	-	1,585,000	2,018,050
Unassigned	<u>12,403,438</u>	<u>12,783,938</u>	<u>14,295,777</u>	<u>15,888,042</u>	<u>11,449,459</u>	<u>7,611,935</u>	<u>8,491,539</u>
Total General Fund	<u>\$12,403,438</u>	<u>\$12,783,938</u>	<u>\$14,295,777</u>	<u>\$17,514,173</u>	<u>\$13,244,209</u>	<u>\$ 9,750,233</u>	<u>\$11,028,522</u>
All Other Governmental Funds							
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ -
Restricted	9,048,404	9,015,587	10,561,911	6,770,279	7,692,180	6,321,238	4,472,637
Committed	4,468,706	4,464,502	-	66,607	5,367,842	9,692,916	11,268,308
Assigned	-	-	-	-	26,199	525,863	750,137
Unassigned	-	-	-	-	(19,373)	(36,684)	(54,281)
Total All Other Governmental Funds	<u>\$ 13,517,110</u>	<u>\$ 13,480,089</u>	<u>\$ 10,561,911</u>	<u>\$ 6,836,886</u>	<u>\$ 13,066,848</u>	<u>\$ 16,518,333</u>	<u>\$ 16,436,801</u>

Source: The City's Accounting Records.

Note: During the fiscal year 2011, the City implemented GASB Statement No 54. Therefore, starting in the fiscal year ended June 30, 2011, governmental fund balances will be presented based on the GASB Statement No. 54 hierarchy.

CITY OF SEDONA, ARIZONA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year			
	2008	2009	2010	2011
Revenues				
Taxes	\$ 9,542,649	\$ 9,328,388	\$ 8,142,198	\$ 8,538,593
Licenses and Permits	164,807	212,366	207,092	179,555
Intergovernmental	5,302,778	5,463,364	6,127,774	4,473,983
Contributions and Donations	1,424	1,114	1,990	6,452
Charges for Services	154,194	161,103	184,458	98,339
Fines and Forfeitures	368,785	268,848	269,104	200,129
Impact Fees	364,474	302,216	278,352	154,162
Special Assessments	203,172	163,266	-	-
Investment Earnings	1,021,475	735,012	533,139	221,786
Rents and Royalties	2,077	3,362	3,698	-
Other	133,662	235,581	506,745	292,300
Total Revenues	<u>17,259,497</u>	<u>16,874,620</u>	<u>16,254,550</u>	<u>14,165,299</u>
Expenditures				
Current:				
General Government	8,643,505	8,908,985	6,993,621	5,021,720
Public Safety	3,663,679	3,636,491	3,541,391	2,947,190
Public Works and Streets	2,915,421	5,588,218	4,300,673	2,031,023
Culture and Recreation	970,037	1,169,314	843,316	1,654,380
Economic development	-	-	-	-
Capital Outlay	-	-	-	1,577,185
Debt Service:				
Principal	550,000	586,753	345,942	-
Interest and Fiscal Charges	262,216	689,685	570,707	562,465
Total Expenditures	<u>17,004,858</u>	<u>20,579,446</u>	<u>16,595,650</u>	<u>13,793,963</u>
Revenues Over (Under) Expenditures	254,639	(3,704,826)	(341,100)	371,336
Other Financing Sources (Uses)				
Proceeds of Refunding Debt Issuance	-	-	-	-
Proceeds of Long-Term Debt Issuance	8,810,604	114,032	-	-
Payment to Refunded Debt Escrow Agent	-	-	-	-
Sale of General Capital Assets	-	-	-	-
Issuance of Long-Term Debt	-	-	-	-
Payment to Escrow Agent	-	-	-	-
Transfers Out	(467,561)	(401,452)	(1,264,607)	(316,125)
Transfers In	600,874	881,308	1,669,463	316,125
Total Other Financing Sources (Uses)	<u>8,943,917</u>	<u>593,888</u>	<u>404,856</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 9,198,556</u>	<u>\$ (3,110,938)</u>	<u>\$ 63,756</u>	<u>\$ 371,336</u>
Debt Service as a Percentage of Noncapital Expenditures	5.70%	6.92%	5.82%	4.60%

Fiscal Year					
2012	2013	2014	(Restated) 2015	2016	2017
\$ 8,594,131	\$ 9,756,849	\$ 11,205,625	\$ 13,628,451	\$ 19,412,559	\$ 21,523,901
276,000	334,756	466,937	468,722	496,517	475,216
4,131,915	4,825,104	5,205,547	5,034,197	4,505,596	4,831,007
39,342	51,945	-	23,711	230,296	86,376
125,142	89,118	99,231	190,565	162,130	202,854
202,465	154,786	134,164	172,694	147,984	140,840
297,107	278,480	450,798	216,039	231,772	618,741
-	-	-	-	-	-
284,730	139,854	303,098	238,592	307,030	159,363
-	-	-	-	-	-
120,851	521,353	276,872	38,707	78,629	107,960
14,071,683	16,152,245	18,142,272	20,011,678	25,572,513	28,146,258
5,132,317	5,639,357	5,881,473	5,471,132	6,179,381	5,760,492
2,550,703	2,723,035	3,609,678	3,770,380	4,198,335	4,972,449
2,265,572	3,332,977	3,642,185	2,280,656	1,824,816	3,118,403
1,914,570	1,803,515	389,420	2,193,308	1,769,992	1,820,211
-	-	-	550,762	1,336,234	2,261,269
1,286,046	4,486,413	4,337,561	3,546,030	5,237,935	4,592,490
378,130	354,309	346,889	345,000	515,000	602,019
547,193	538,964	561,020	418,606	245,667	222,266
14,074,531	18,878,570	18,768,226	18,575,874	21,307,360	23,349,599
(2,848)	(2,726,325)	(625,954)	1,435,804	4,265,153	4,796,659
-	-	1,879,700	-	-	-
-	-	-	-	-	-
-	-	(1,845,000)	-	-	-
-	-	-	22,863	11,806	-
-	-	-	-	8,030,000	438,309
-	-	-	-	(7,934,739)	-
(838,373)	857,675	(1,136,498)	(7,955,237)	(11,928,810)	(7,142,658)
838,373	(793,833)	1,220,124	8,043,472	7,431,260	3,104,447
-	63,842	118,326	111,098	(4,390,483)	(3,599,902)
\$ (2,848)	\$ (2,662,483)	\$ (507,628)	\$ 1,546,902	\$ (125,330)	\$ 1,196,757

7.24%

6.21%

6.72%

5.21%

4.78%

4.53%

**CITY OF SEDONA, ARIZONA
GENERAL GOVERNMENT PRINCIPAL SALES TAX REMITTERS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

Tax Remitter	Fiscal Year 2017			Fiscal Year 2008		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Hotels & Other Lodging	\$ 6,956,871	1	35.45%	\$ 3,835,570	1	27.2%
Retail Trade	5,512,500	2	28.10%	3,327,597	2	23.6%
Restaurants & Bars	3,219,795	3	16.41%	1,795,497	4	12.7%
Construction	1,268,542	4	6.47%	2,196,607	3	15.6%
Rental/Leasing/Licensing	1,227,904	5	6.26%	896,313	6	6.4%
All Other	846,275	6	4.31%	1,355,179	5	9.6%
Trans/Comm/Utilities	587,679	7	3.00%	694,121	7	4.9%
	<u>\$ 19,619,566</u>		<u>100.00%</u>	<u>\$ 14,100,884</u>		<u>100.00%</u>

Source: Arizona Department of Revenue and Revenue Discovery Systems

Note 1: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the cities privilege tax revenues.

**CITY OF SEDONA, ARIZONA
GENERAL GOVERNMENT TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Sales Taxes	Occupancy Taxes	Franchise Tax	Other Taxes (In Lieu)	Total
2008	\$ 6,671,721	\$ 1,899,439	\$ 667,237	\$ 304,252	\$ 9,542,649
2009	6,380,487	1,717,057	661,177	569,667	9,328,388
2010	5,782,462	1,426,241	666,326	267,169	8,142,198
2011	6,203,878	1,472,193	699,088	163,434	8,538,593
2012	5,841,697	1,867,282	713,577	171,575	8,594,131
2013	6,999,858	1,857,455	720,455	179,081	9,756,849
2014	8,114,951	2,097,290	738,631	254,753	11,205,625
2015	9,589,003	2,659,290	764,473	439,949	13,452,715
2016	14,999,612	3,010,334	781,223	621,390	19,412,559
2017	16,268,459	3,811,727	783,413	660,302	21,523,901

Source: The City of Sedona, Arizona's Financial Services Department.

**CITY OF SEDONA, ARIZONA
SALES TAX COLLECTIONS BY CATEGORY
LAST TEN FISCAL YEARS
(UNAUDITED)**

Sales Category	Fiscal Year			
	2008	2009	2010	2011
Construction	\$ 2,196,607	\$ 2,358,558	\$ 1,809,571	\$ 1,196,484
Transportation, Communication and Utilities	694,121	670,573	704,133	691,194
Retail Trade	3,327,597	3,069,968	2,993,452	4,177,664
Restaurants and Bars	1,795,497	1,757,018	1,639,413	1,771,269
Finance, Insurance and Real Estate	896,313	861,924	853,836	800,883
Rental/Leasing/Licensing	-	-	-	-
Hotels and Other Lodging	3,835,570	3,600,663	2,937,039	3,207,107
All Other Outlets	1,355,179	1,213,977	1,197,058	1,055,093
Total	\$ 14,100,884	\$ 13,532,681	\$ 12,134,502	\$ 12,899,694
Direct Sales Tax Rate	3.00%	3.00%	3.00%	3.00%
Transient Lodging Tax	3.00%	3.00%	3.00%	3.00%

Source: Arizona Department of Revenue and Revenue Discovery Systems.

Note: Fiscal Year 2012 amounts reflect receipts through June 2012.

Fiscal Year

	2012	2013	2014	2015	2016	2017
\$	845,718	\$ 799,034	\$ 1,106,248	\$ 1,043,214	\$ 1,245,147	\$ 1,268,542
	610,278	566,849	621,539	551,710	650,644	587,679
	4,238,541	3,941,680	4,375,792	4,359,761	4,051,430	5,512,500
	1,822,094	1,769,999	2,197,587	1,959,886	2,165,811	3,219,795
	770,388	747,856	928,205	630,449	942,690	-
	-	-	-	-	-	1,227,904
	3,583,876	3,142,085	1,980,589	4,317,072	5,876,944	6,956,871
	649,880	513,538	612,380	1,053,920	2,108,595	846,275
\$	<u>12,520,775</u>	<u>\$ 11,481,041</u>	<u>\$ 11,822,340</u>	<u>\$ 13,916,012</u>	<u>\$ 17,041,261</u>	<u>\$ 19,619,566</u>
	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
	3.00%	3.00%	3.00%	3.00% through 12/31/13 3.50% starting 1/1/14	3.50%	3.50%

**CITY OF SEDONA, ARIZONA
DIRECT AND OVERLAPPING SALES TAX RATES
JUNE 30, 2017
(UNAUDITED)**

<u>Fiscal Year</u>	<u>City Direct Sales Tax Rate</u>	<u>Yavapai County</u>	<u>Coconino County</u>	<u>State of Arizona</u>
2008	3.00 %	0.75 %	1.125 %	5.60 %
2009	3.00 %	0.75 %	1.125 %	5.60 %
2010	3.00 %	0.75 %	1.125 %	5.60 %
2011	3.00 %	0.75 %	1.125 %	5.60 %
2012	3.00 %	0.75 %	1.125 %	5.60 %
2013	3.00 %	0.75 %	1.125 %	5.60 %
2014	3.00 %	0.75 %	1.125 %	5.60 %
2015	3.00 %	0.75 %	1.300 %	5.60 %
2016	3.00 %	0.75 %	1.300 %	5.60 %
2017	3.00 %	0.75 %	1.300 %	5.60 %

Source: Arizona Department of Revenue.

CITY OF SEDONA, ARIZONA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	Revenue Bonds	Capital Leases	Special Assessment Bonds	Revenue Bonds	WIFA Loan	Capital Appreciation Bond Interest	WIFA Loan	Revenue Bonds			
2008	\$ 12,421,059	\$ -	\$ 260,000	\$ 58,695,624	\$ 848,148	\$ 4,178,769	\$ -	\$ 76,403,600	18.47%	6,413	
2009	12,121,768	107,279	-	55,425,528	726,967	4,734,113	-	73,115,655	17.81%	5,979	
2010	11,817,478	86,337	-	52,005,412	605,806	5,318,833	-	69,833,866	18.71%	5,659	
2011	11,498,188	64,328	-	48,430,295	-	5,934,491	-	65,927,302	18.79%	5,981	
2012	11,163,896	41,198	-	45,060,343	-	6,582,715	-	62,848,152	17.89%	5,609	
2013	11,135,500	16,889	-	41,889,499	-	7,265,246	-	60,307,134	16.65%	5,314	
2014	10,684,842	-	-	37,333,514	-	7,983,887	-	56,002,243	8.80%	4,736	
2015	10,339,062	-	-	32,929,325	-	8,740,542	-	52,008,929	11.17%	4,267	
2016	10,509,700	-	-	28,072,186	-	9,537,228	-	48,119,114	9.24%	4,123	
2017	10,025,000	320,990	-	23,394,748	-	10,376,075	-	44,116,813	10.01%	4,245	

Source: City of Sedona, Arizona's Financial Services Department

**CITY OF SEDONA, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2017
(UNAUDITED)**

Governmental Unit	Outstanding Debt (1)	Estimated Percentage Applicable (2)	Estimated Share of Overlapping Debt
Coconino County	\$ 30,000	7.45%	\$ 2,235
Yavapai County	19,936,534	7.89%	1,572,993
Coconino County C.C.D.	4,105,000	7.45%	305,823
Yavapai County C.C.D.	32,270,000	7.89%	2,546,103
Sedona-Oak Creek Unified S.D. No. 9	45,735,000	59.88%	27,386,118
Sedona Fire District	1,790,935	59.70%	1,069,188
Total Overlapping Debt			<u>32,882,460</u>
City of Sedona	10,345,990	100.00%	<u>10,345,990</u>
Total Direct and Overlapping Debt			<u><u>\$ 43,228,450</u></u>

Arizona Report of Bonded Indebtedness, Arizona State Treasurer

- (1) Includes general obligation bonds outstanding. The City of Sedona does not have any general obligation bonds.
- (2) Proportion applicable to the City of Sedona, Arizona, is computed on the ratio of secondary assessed valuation for 2017 calendar year.

**CITY OF SEDONA, ARIZONA
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

WIFA Loan ⁽³⁾						
Fiscal Year	Gross Revenues ⁽¹⁾	Less Operating Expenses ⁽²⁾	Net Available Revenue	Principal	Interest	Coverage
2008	5,119,570	2,423,382	2,696,188	121,161	51,910	15.58
2009	4,524,196	2,874,549	1,649,647	121,161	48,448	9.73
2010	4,745,289	2,357,123	2,388,166	121,161	44,846	14.39
2011 ⁽³⁾	-	-	-	-	-	N/A
2012	-	-	-	-	-	N/A
2013	-	-	-	-	-	N/A
2014	-	-	-	-	-	N/A
2015	-	-	-	-	-	N/A
2016	-	-	-	-	-	N/A
2017	-	-	-	-	-	N/A

Special Assessment Bonds ⁽⁴⁾					
Fiscal Year	Special Assessment	Principal	Interest	Total	Coverage
2008	203,172	240,000	21,850	261,850	0.78
2009	163,266	260,000	7,475	267,475	0.61
2010	-	-	-	-	N/A
2011	-	-	-	-	N/A
2012	-	-	-	-	N/A
2013	-	-	-	-	N/A
2014	-	-	-	-	N/A
2015	-	-	-	-	N/A
2016	-	-	-	-	N/A
2017	-	-	-	-	N/A

Excise Tax Revenue Bonds					
Fiscal Year	Excise Tax Revenues	Principal	Interest	Total	Coverage
2008	18,369,596	3,510,000	2,849,386	6,359,386	2.89
2009	17,970,410	3,510,000	3,016,669	6,526,669	2.75
2010	14,146,146	3,665,000	2,861,257	6,526,257	2.17
2011	14,410,369	3,835,000	2,696,830	6,531,830	2.21
2012	14,125,481	4,210,000	2,717,992	6,927,992	2.04
2013	15,029,208	4,210,000	2,279,329	6,489,329	2.32
2014	18,450,768	4,405,000	2,077,929	6,482,929	2.85
2015	20,054,429	4,485,000	1,498,946	5,983,946	3.35
2016	21,708,599	5,260,000	808,167	6,068,167	3.58
2017	23,808,679	5,050,000	791,691	5,841,691	4.08

Source: The City of Sedona, Arizona's Financial Services Department

- (1) Gross revenues include charges for services, capacity fees, investment earnings, miscellaneous revenues and gain on sale of capital assets.
- (2) Operating expenses do not include depreciation, interest expense, issuance costs and fiscal charges.
- (3) WIFA Loan closed as of 2010.
- (4) Special Assessment closed as of 2009

**CITY OF SEDONA, ARIZONA
DEBT LIMITATIONS AND COMPUTATION OF LEGAL DEBT MARGIN
LAST SEVEN FISCAL YEARS
(UNAUDITED)**

	Fiscal Year						
	2011	2012	2013	2014	2015	2016	2017
Cocoonino County	N/A	N/A	N/A	\$ 110,290,043	\$ 121,388,325	\$ 125,045,612	\$ 134,528,591
Yavapai County	N/A	N/A	N/A	177,099,032	183,416,070	191,649,855	227,245,423
Total Assessed Valuation	\$ 289,661,444	\$ 289,661,444	\$ 298,617,510	\$ 287,389,075	\$ 304,804,395	\$ 316,695,467	\$ 361,774,014
<u>20% Limitation</u>							
Debt Limit Equal to 20% of Assessed Valuation	\$ 57,932,289	\$ 57,932,289	\$ 59,723,502	\$ 57,477,815	\$ 60,960,879	\$ 63,339,093	\$ 72,354,803
Total Net Debt Applicable to 20% Limit	-	-	-	-	-	-	-
Legal 20% Debt Margin	<u>\$ 57,932,289</u>	<u>\$ 57,932,289</u>	<u>\$ 59,723,502</u>	<u>\$ 57,477,815</u>	<u>\$ 60,960,879</u>	<u>\$ 63,339,093</u>	<u>\$ 72,354,803</u>
<u>6% Limitation</u>							
Debt Limit Equal to 6% of Assessed Valuation	\$ 17,379,687	\$ 17,379,687	\$ 17,917,051	\$ 17,243,345	\$ 18,288,264	\$ 19,001,728	\$ 21,706,441
Total Net Debt Applicable to 6% Limit	-	-	-	-	-	-	-
Legal 6% Debt Margin	<u>\$ 17,379,687</u>	<u>\$ 17,379,687</u>	<u>\$ 17,917,051</u>	<u>\$ 17,243,345</u>	<u>\$ 18,288,264</u>	<u>\$ 19,001,728</u>	<u>\$ 21,706,441</u>

Note: Arizona's Constitution states that a municipality cannot issue general obligation bonds in excess of 6% of the assessed valuation for general municipal purposes.

Additional general obligation bonds for up to 20% of assessed valuation can be issued for specific purposes such as supplying water and sewer services and recreational and playground facilities.

N/A - Information not available

Note 2: Information prior to 2011 was not available.

**CITY OF SEDONA, ARIZONA
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Yavapai County Unemployment Rate</u>
2008	11,263	\$ 391,100,000	\$ 34,724	-	1,474	3.60%
2009	11,436	384,000,000	33,578	50.5	1,509	8.70%
2010	11,400	344,850,000	30,250	50.5	1,288	9.27%
2011	10,031	319,206,482	31,822	50.5	1,209	9.40%
2012	10,031	314,471,850	31,350	56.1	1,250	9.10%
2013	9,981	318,608,492	31,922	56.1	1,219	8.70%
2014	10,140	387,368,280	38,202	56.1	968	6.50%
2015	10,281	392,754,762	38,202	56.3	1,082	5.80%
2016	10,388	440,326,544	42,388	58.0	1,097	5.00%
2017	10,397	440,708,036	42,388	57.9	989	4.70%

Sources: 2010 Census, Yavapai County, EEC, DES, Sedona/Oak Creek School District.

Note: Median age was not available for fiscal year 2008

**CITY OF SEDONA, ARIZONA
PRINCIPAL EMPLOYERS
JUNE 30, 2017 AND NINE YEARS PRIOR
(UNAUDITED)**

Employer	2017			2008		
	Employees (1)	Rank	Percentage of Total City Employment	Employees (1)	Rank	Percentage of Total City Employment
Enchantment Resorts (location outside of City)	570	1	6.07%	383	3	7.88%
L'Auberge de Sedona Resort	240	2	2.56%	180	5	3.71%
Hilton Resort & Spa (location outside of City)	197	3	2.10%	225	4	4.63%
Pink Jeep Tours	170	4	1.81%	100	10	2.06%
Sedona/Oak Creek School District	153	5	1.63%	180	6	3.71%
Sedona Rouge Hotel & Spa	130	6	1.38%	110	9	2.26%
Los Abrigados Resort	123	7	1.31%	509	1	10.48%
Amara Resort	115	8	1.22%	-	N/A	0.00%
City of Sedona	113	9	1.20%	136	8	2.80%
Sedona Summit Resort	99	10	1.05%	400	2	8.23%
	<u>1,910</u>		<u>20.33%</u>	<u>2,223</u>		

Source: The Arizona Department of Commerce.

(1) Principal employees include the City of Sedona and surrounding region.

**CITY OF SEDONA, ARIZONA
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Function	Authorized Positions as of Fiscal Year Ended									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Management Services	25	25	18	17	18	19	20	23	21	16
Finance	5	5	5	6	5	7	7	7	7	7
Planning	5	5	6	6	6	6	6	6	9	11
Building	3	3	2	2	2	3	3	1	1	2
Other	1	1	1	1	5	5	5	2	3	3
Public Safety										
Officers	31	30	24	24	26	26	26	26	23	26
Civilians	8	10	8	10	10	10	11	7	12	14
Other Public Works										
Engineering	5	5	4	4	4	4	4	9	7	7
Other	11	11	14	14	13	13	13	9	15	17
Redevelopment	7	7	4	4	3	2	2	-	-	-
Parks and Recreation	6	7	3	2	2	2	3	2	3	2
Wastewater	11	11	11	11	10	10	10	10	11	8
Total	118	120	100	101	104	107	110	102	112	113

Source: City of Sedona, Arizona

**CITY OF SEDONA, ARIZONA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Function	Fiscal Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Building Permits Issued	553	537	593	463	472	476	500	518	617	646
Building Inspections Conducted	2,737	2,180	2,086	1,277	1,453	1,781	1,907	1,953	1,733	1,889
Police										
Physical Arrests	542	652	544	537	497	364	325	432	383	464
Parking Violations	86	40	195	149	195	587	191	317	737	728
Traffic Violations	4,589	3,772	3,310	2,617	2,268	2,340	1,145	3,827	3,553	2,011
Other Public Works										
Street Resurfacing (Miles)	4.3	3.5	-	2.4	3.0	3.8	2.2	2.6	2.4	6.5
Right of Way Permits Issued	202	148	157	187	161	204	190	210	194	184
Wastewater										
Average Daily Sewage Treatment (Millions of Gallons)	1.2	1.1	1.1	1.2	1.1	1.1	1.2	1.1	1.1	1.1

Source: City of Sedona, Arizona

**CITY OF SEDONA, ARIZONA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Function	Fiscal Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone Offices	1	1	1	1	1	1	1	1	1	1
Patrol Units	11	12	16	13	13	17	15	15	16	19
Other Public Works										
Streets (Miles)	154.5	154.5	154.4	154.4	154.4	106.0	106.0	106.2	106.2	106.2
Highways (Miles)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Streetlights	2	8	8	8	8	136	136	147	147	149
Parks and Recreation										
Acreage	100.3	91.8 *	93.0	93.0	93.0	93.0	123.3	123.3	123.3	123.3
Playgrounds	3	3	3	3	3	3	3	3	3	3
Baseball and Softball Diamonds	2	2	2	2	2	2	2	2	2	2
Football and Soccer Fields	1	1	1	1	1	1	1	1	1	1
Water										
Fire Hydrants	651	651	659	659	659	659	659	659	659	659
Wastewater										
Sanitary Sewers (Miles)	75.0	75.0	75.0	75	166	166	166	166	166	166
Treatment Capacity (Millions of Gallons)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0

Source: City of Sedona, Arizona

* Acreage for Parks was corrected in updating GIS maps for the City during the FY2009.

Note: The 2014 acreage includes the Wetlands Preserve located at the Wastewater Treatment Plant and the Brewer Road Park.

CITY OF SEDONA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2017

CITY OF SEDONA, ARIZONA
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YEAR ENDED JUNE 30, 2017

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INDEPENDENT ACCOUNTANTS' REPORT

Auditor General of the State of Arizona and
Honorable Mayor and City Council
City of Sedona, Arizona
Sedona, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of the City of Sedona, Arizona (City) for the year ended June 30, 2017. The City's management is responsible for presenting this report in accordance with the uniform expenditure reporting system as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the uniform expenditure reporting system in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report referred to above is presented in accordance with the uniform expenditure reporting system as described in Note 1 in all material respects.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
December 15, 2017

**CITY OF SEDONA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
YEAR ENDED JUNE 30, 2017**

1. Economic Estimates Commission expenditure limitation	\$ -	
2. Voter approved alternative expenditure limitation	<u>38,360,866</u>	
3. Enter applicable amount from Line 1 or Line 2		<u>\$ 38,360,866</u>
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)	33,983,606	
5. Board-authorized expenditures necessitated by a disaster the Governor declared	-	
6. Board-authorized expenditures necessitated by a disaster the Governor did not declare	-	
7. Prior-year voter approved expenditures to exceed the expenditure limitation for the reporting fiscal year	-	
8. Subtotal	<u>33,983,606</u>	
9. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster the Governor did not declare and the voters did not approve	-	
10. Total adjusted amount subject to the expenditure limitation		<u>33,983,606</u>
11. Amount under (in excess of) the expenditure limitation		<u><u>\$ 4,377,260</u></u>

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature: 

Name and Title: Cherie R. Wright, CPA, CGFM, Director of Financial Services

Telephone Number: (928) 203-5193

Date: December 15, 2017

CITY OF SEDONA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
YEAR ENDED JUNE 30, 2017

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
A. Amounts reported on the Reconciliation Line D	\$ 22,911,290	\$ 11,072,316	-	\$ 33,983,606
B. Less exclusions claimed:				
1 Debt Proceeds	-	-	-	-
2 Debt service requirements	-	-	-	-
3 Dividends, interest and gains on sale or redemption of investment securities	-	-	-	-
4 Trustee or custodian	-	-	-	-
5 Grants and aid from the federal government	-	-	-	-
6 Grants, aid, contributions or gifts from private agency, organization or individual, except amounts received in lieu of taxes	-	-	-	-
7 Amounts received from the State of Arizona	-	-	-	-
8 Quasi-external interfund transactions	-	-	-	-
9 Amounts accumulated for purchase of land, purchase or construction of buildings or improvements	-	-	-	-
10 Highway user revenues in excess of those received in fiscal year 1979-80	-	-	-	-
11 Contracts with other political subdivisions	-	-	-	-
12 Refunds, reimbursements and other recoveries	-	-	-	-
13 Voter approved exclusions not identified above	-	-	-	-
14 Prior years carryforward	-	-	-	-
15 Qualifying capital improvement expenditure repaid in accordance with A.R.S. 41-1279.07	-	-	-	-
16 Total exclusions claimed	-	-	-	-
C. Amounts subject to the expenditure limitation	\$ 22,911,290	\$ 11,072,316	-	\$ 33,983,606

See accompanying Notes to Annual Expenditure Limitation Report.

CITY OF SEDONA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
YEAR ENDED JUNE 30, 2017

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements.	\$ 23,349,599	7,333,789	\$ -	\$ 30,683,388
B. Subtract:				
1 Items not requiring use of working capital				
Depreciation	-	2,853,783	-	2,853,783
Claims incurred but not reported (IBNR)	-	-	-	-
Pension expense	-	85,338	-	85,338
2 Expenditures of separate legal entities established under ARS				
3 Required fees paid to the Arizona Department of Revenue	-	-	-	-
4 Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the agreements' inception	-	-	-	-
5 Involuntary court judgments	438,309	-	-	438,309
6 Total subtractions	<u>438,309</u>	<u>2,939,121</u>	<u>-</u>	<u>3,377,430</u>
C. Additions:				
1 Principal payments on long-term debt	-	4,565,300	-	4,565,300
2 Capital asset acquisitions	-	1,997,433	-	1,997,433
3 Amounts paid in the current year but reported as expenses in previous years:				
OPEB	-	-	-	-
Claims previously recognized as IBNR	-	-	-	-
Landfill closure and postclosure care costs	-	-	-	-
4 Pension contributions paid in the current year	-	114,915	-	114,915
5 Total additions	<u>-</u>	<u>6,677,648</u>	<u>-</u>	<u>6,677,648</u>
D. Amounts reported on Part II Line A	<u>\$ 22,911,290</u>	<u>\$ 11,072,316</u>	<u>\$ -</u>	<u>\$ 33,983,606</u>

See accompanying Notes to Annual Expenditure Limitation Report.

CITY OF SEDONA, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the Uniform Expenditure Reporting System (UERS), as required by Arizona Revised Statutes §41-1279.07, and in accordance with the voter-approved alternative expenditure limitation adopted August 2014, as authorized by Arizona Constitution, Article IX, §20(9).

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City Council and Senior Management
City of Sedona, Arizona
Sedona Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sedona, Arizona as of and for the year ended June 30, 2017, and have issued our report thereon dated December 15, 2017. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Sedona, Arizona are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

- Management's estimate of the useful lives and remaining useful lives of capital assets is based on the City's previous experience with similar assets and the current condition of those assets. We evaluated the key factors and assumptions used to develop the useful lives and estimated useful lives in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the unfunded pension liability related to the Arizona State Retirement System pension plan and Public Safety Personnel Retirement System benefits are based on actuarial reports prepared by other professionals. We reviewed the key assumptions used to estimate the liability in determining that they are reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the compensated absences liability is based on those employees who have vested and employees who are expected to vest. We reviewed the key assumptions used to estimate the liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the allowance for doubtful accounts related to the City's court, sales tax, utility and miscellaneous receivables is based on historical revenues, historical loss levels, and an analysis of the collectibility of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

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

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

None of the misstatements detected as a result of the audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated December 15, 2017.

Management consultations with other independent accountants

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

Significant issues discussed with management prior to engagement

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

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the combining statements and schedules (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated December 15, 2017.

The introductory and statistical sections accompanying the financial statements, which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

This communication is intended solely for the information and use of the City Council and management of City of Sedona, Arizona and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
December 15, 2017



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

City Council and Management
City of Sedona, Arizona
Sedona, Arizona

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sedona, Arizona as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the entity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, City Council, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
December 15, 2017

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INDEPENDENT ACCOUNTANTS' REPORT

The Honorable Mayor and City Council
City of Sedona, Arizona

We have examined City of Sedona, Arizona's (City) compliance as to whether expenditures made during the fiscal year ended June 30, 2017, from Highway User Revenue Fund monies received by the City pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the City were used solely for the authorized transportation purposes prescribed in Article IX, §14, of the Arizona Constitution. Management is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of risks of material noncompliance, whether due to fraud or error. We believe that our examination provides a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Sedona, Arizona complied, in all material respects, with the aforementioned requirements for the fiscal year ended June 30, 2017.

This report is intended solely for the information and use of the Mayor, City Council, management, and the Arizona Auditor General and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.



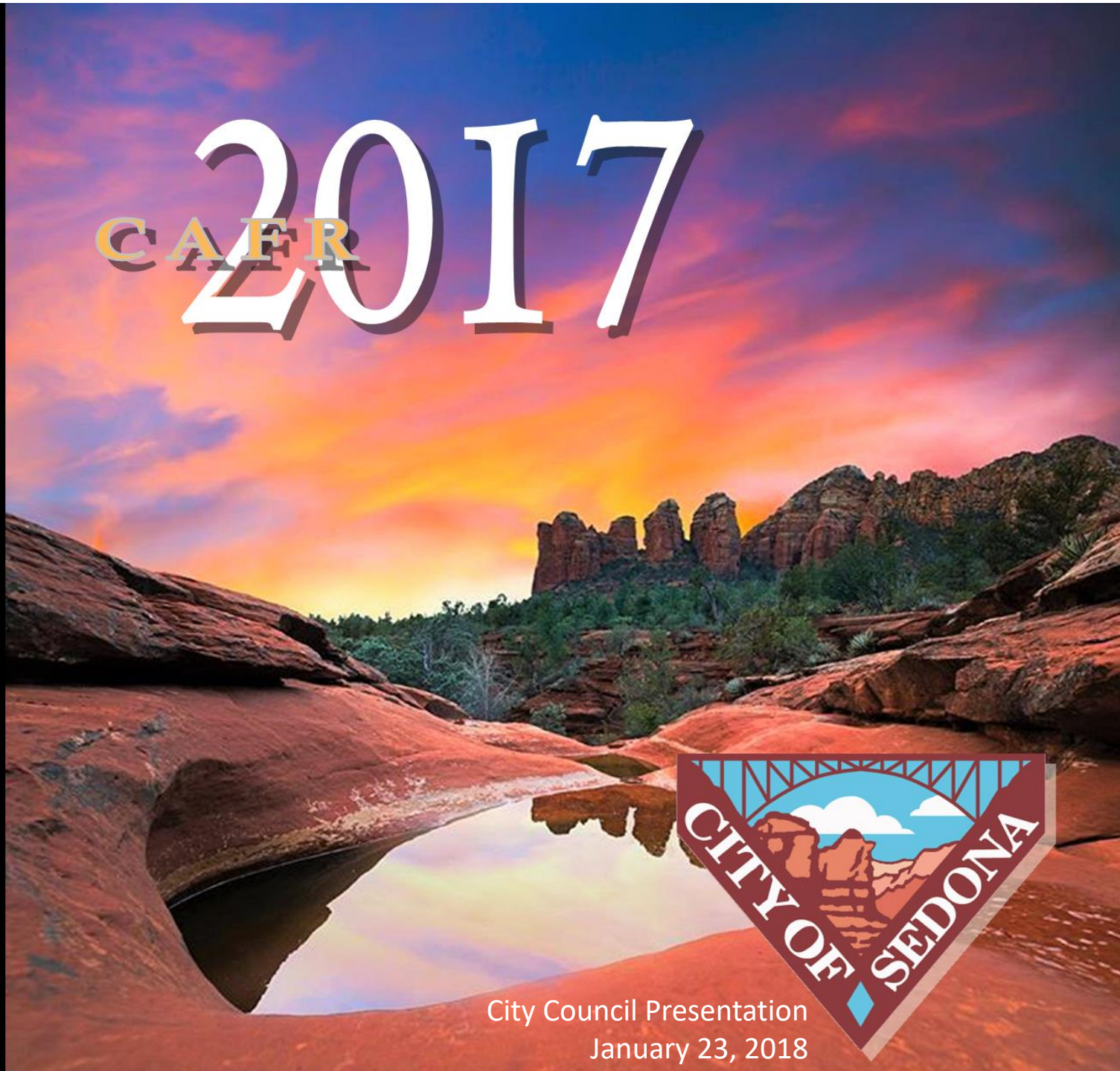
CliftonLarsonAllen LLP

Phoenix, Arizona
December 15, 2017

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**COMPREHENSIVE ANNUAL
Financial Report**

CAFR
2017



City Council Presentation
January 23, 2018

Agenda



FY 2017 Financial Results

Expenditure Limitation Summary

Audit Results



Special thanks to Brenda Tammarine for PowerPoint design!

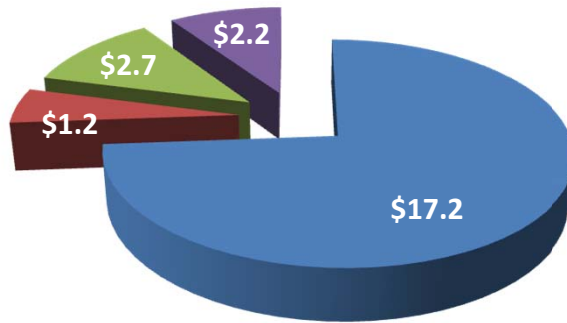
CAFR 2017



Governmental Expenditures by Fund

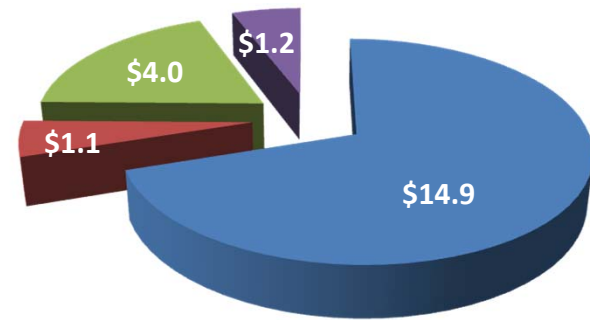
CAFR pg. 27

FY 2017 - \$23.3 million



■ General Fund ■ Streets Fund
■ Capital Impr. Fund ■ Nonmajor Funds

FY 2016 - \$21.3 million



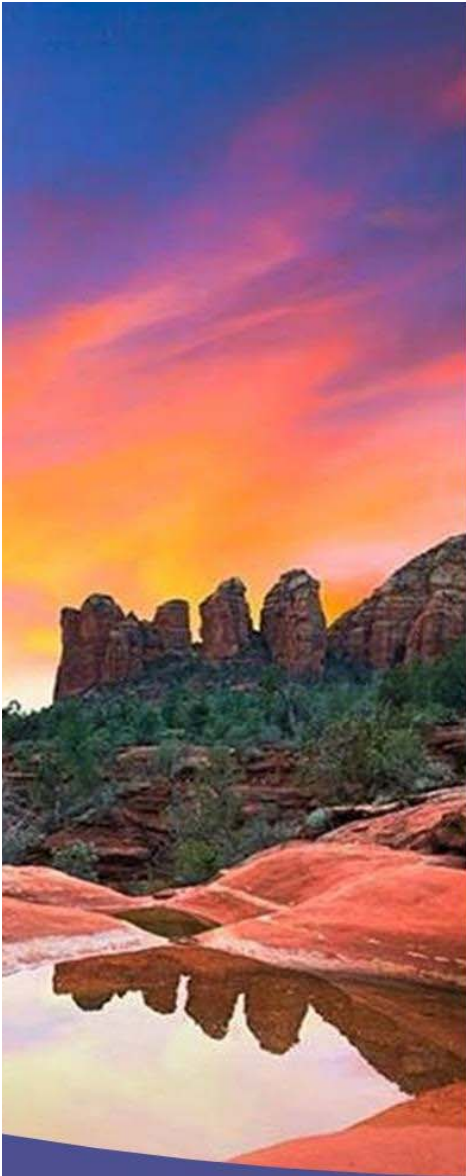
■ General Fund ■ Streets Fund
■ Capital Impr. Fund ■ Nonmajor Funds

Governmental Funds expenditures increased \$2.0 million or 9.6%.

- Streets expenditures increased \$1.0 million or 89% to increase the rehabilitation and pavement preservation program to cover an average of 4.5-5.0 miles per year.
- Economic Development expenditures increased \$0.9 million or 69% due to a reclassification of the Visitor Center support of \$0.4 million to Economic Development, and increase in destination marketing of \$0.4 million, and the implementation of an economic development program that focuses on other industries besides tourism.
- Public Safety expenditures increased \$0.8 million or 18% due to the inception of the assigned vehicle program lease and equipping of those vehicles, as well as a reclassification of expenditures to Public Safety.

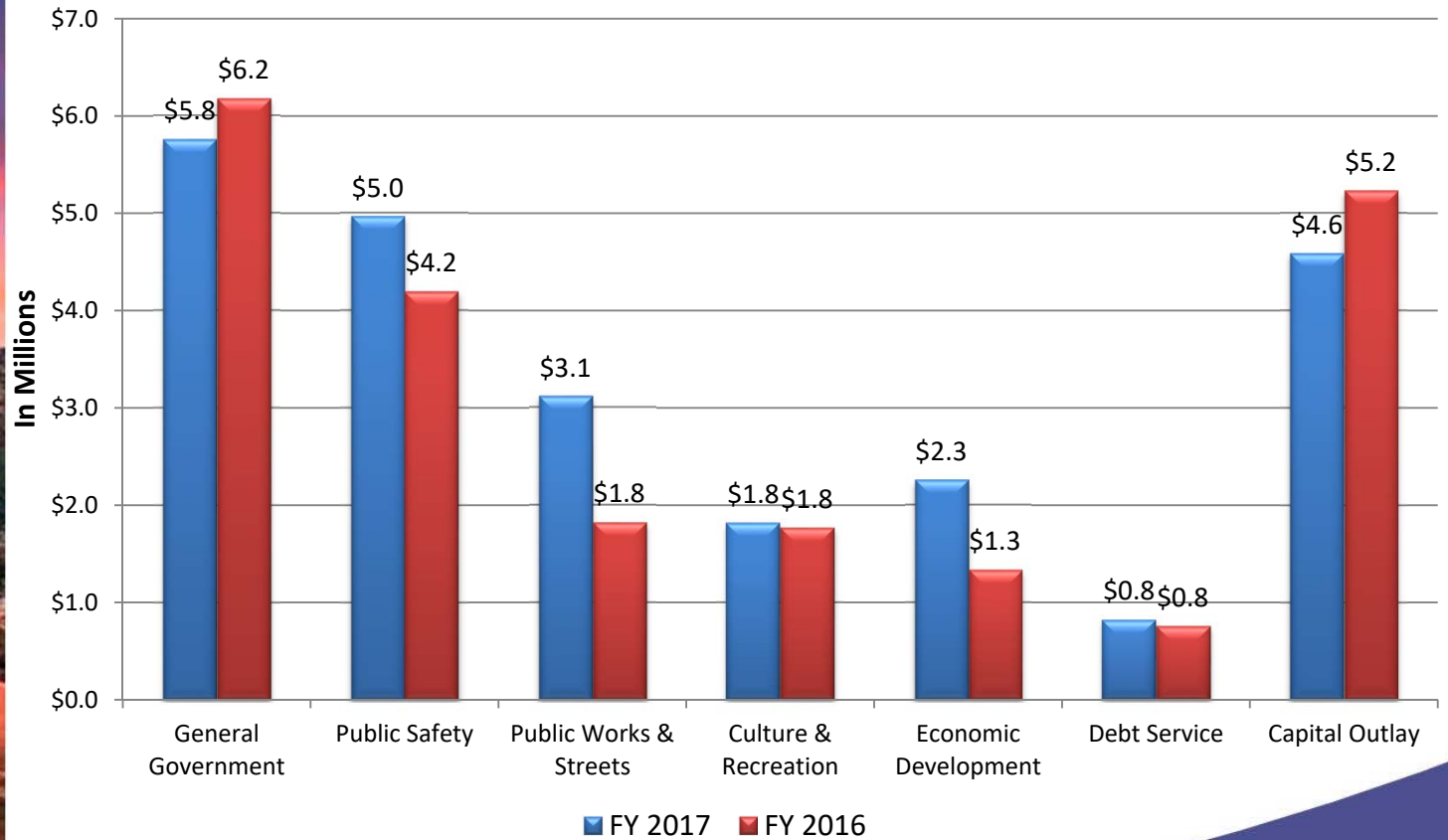


CAFR 2017



Governmental Expenditures by Function

CAFR pg. 27



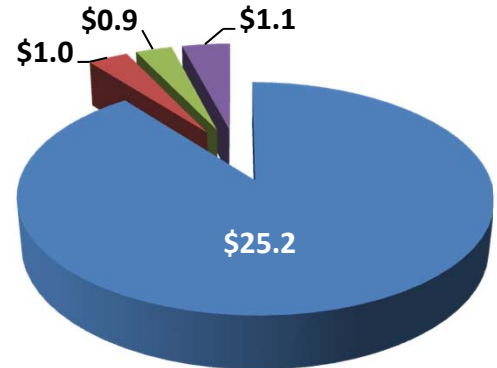
CAFR 2017



Governmental Revenues by Fund

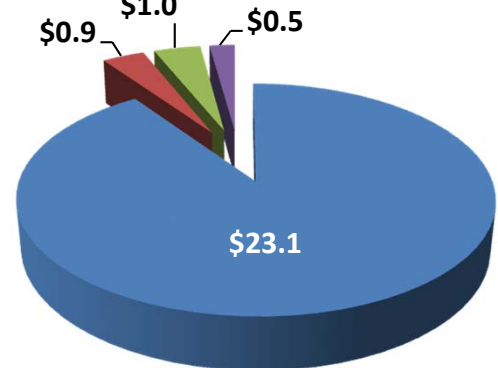
CAFR pg. 27

FY 2017 - \$28.1 million



■ General Fund ■ Streets Fund
■ Capital Impr. Fund ■ Nonmajor Funds

FY 2016 - \$25.6 million



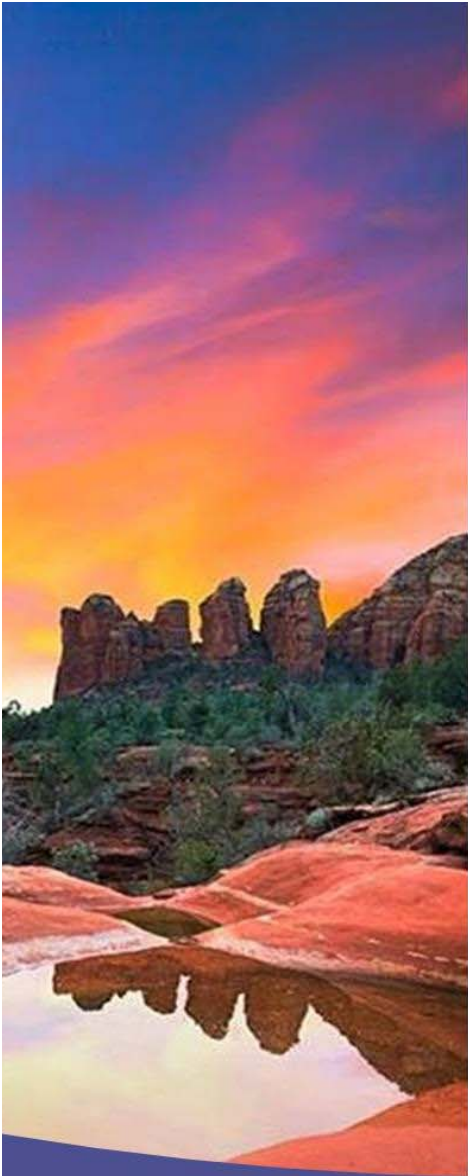
■ General Fund ■ Streets Fund
■ Capital Impr. Fund ■ Nonmajor Funds

Governmental Funds revenues increased \$2.6 million or 10.1%.

- Sales tax revenues increased \$2.1 million or 11.5% largely due to increases in tourism and consumer spending.
- Intergovernmental revenues increased \$0.3 million or 7.2% due to a CDBG grant and one-time HURF revenues received.

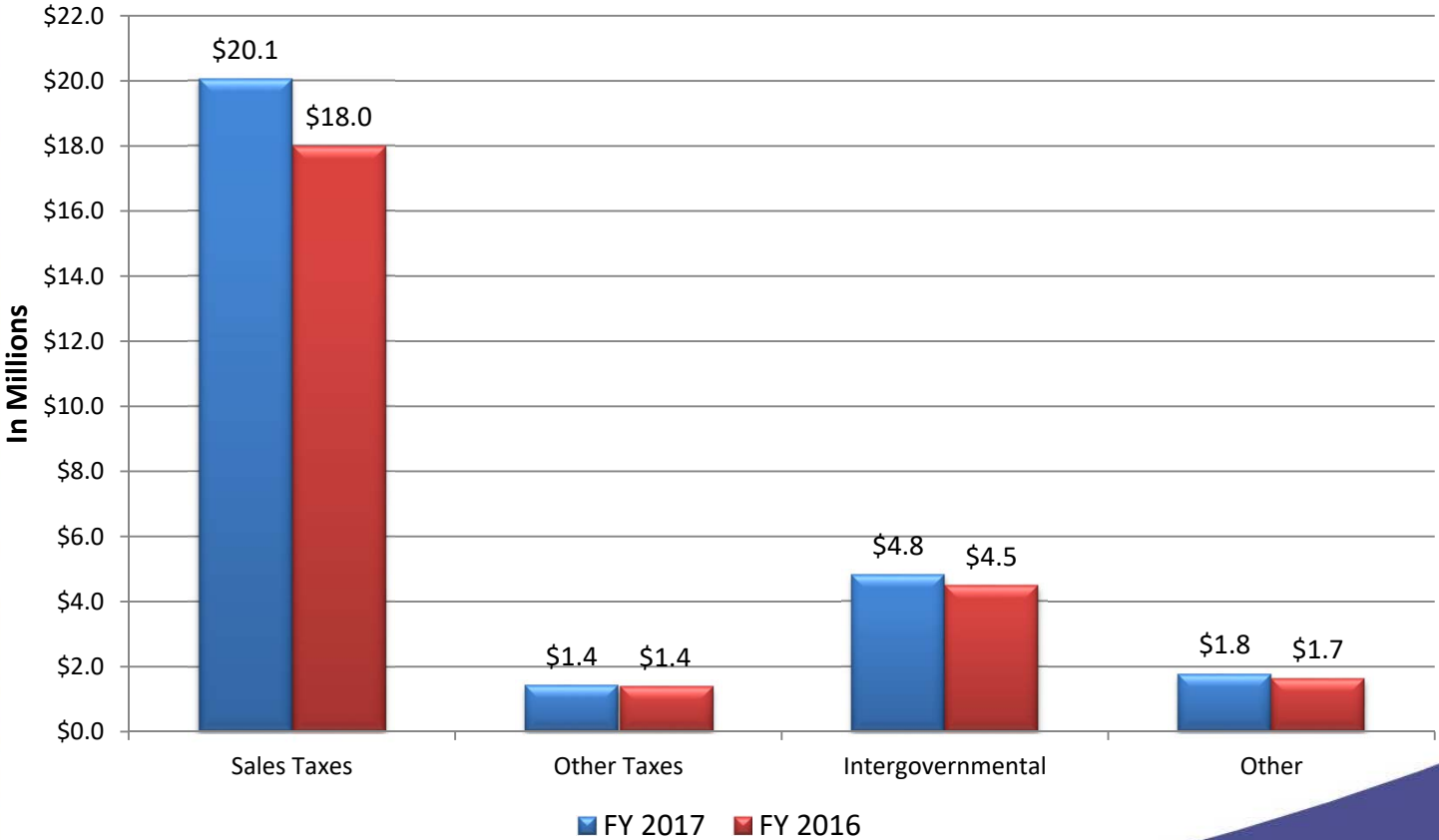


CAFR 2017

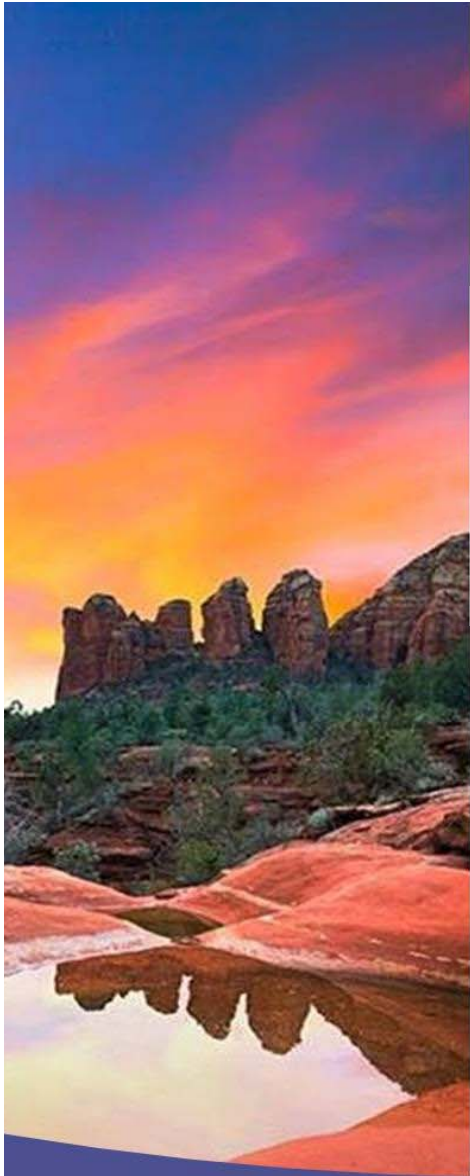


Governmental Revenues by Source

CAFR pg. 27



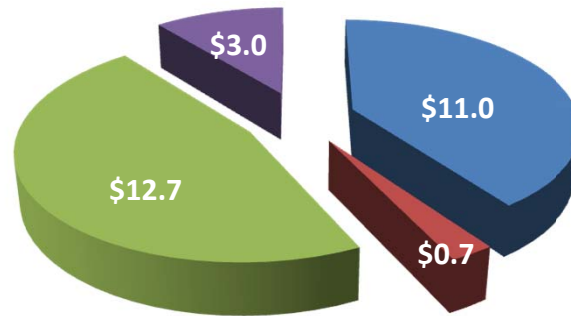
CAFR 2017



Governmental Fund Balances

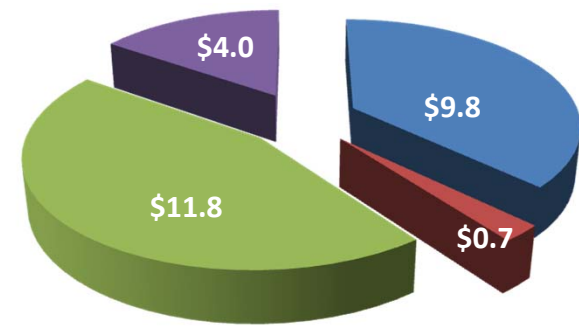
CAFR pg. 25 & 27

FY 2017 - \$27.5 million



■ General Fund ■ Streets Fund
■ Capital Impr. Fund ■ Nonmajor Funds

FY 2016 - \$26.3 million



■ General Fund ■ Streets Fund
■ Capital Impr. Fund ■ Nonmajor Funds

Governmental fund balances increased \$1.2 million or 4.6%.

- The General Fund balance increased \$1.3 million or 13.1% due to an increase in the operating reserve balance and an increase in the budget carryover reserve balance.
- The Capital Improvement Fund balance increased \$0.9 million or 7.5% due to a transfer of surpluses in the General Fund.
- The nonmajor funds balance decreased \$1.0 million or 26% due primarily to the use of accumulated restricted monies for capital projects.



CAFR 2017



General Fund Subsidies and Surplus

CAFR pg. 27 & 52

	Subsidies	Surplus
Streets Fund subsidy	\$ 351,000	
Wastewater Fund subsidy	4,038,211	
Surplus transfer to Capital Impr. Fund		\$2,729,149
Totals	\$4,389,211	\$2,729,149



CAFR 2017

General Fund Budget Summary

CAFR pg. 29

Sales tax revenues exceeded budget by \$0.8M

- Increases in tourism and consumer spending

General Services expenditures under budget by \$0.6M

- Unspent contingencies

Public Works expenditures under budget by \$0.3M

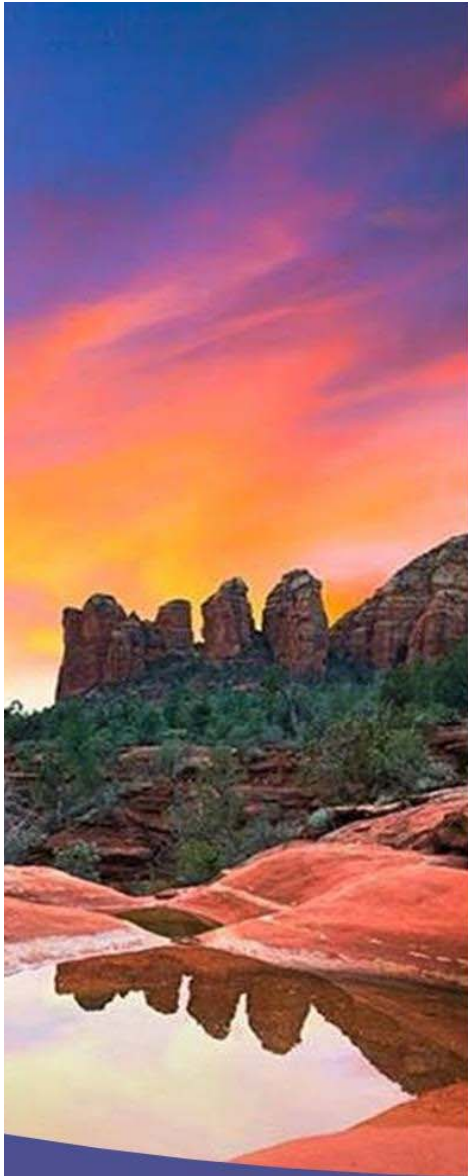
- Parks maintenance and street maintenance that did not occur during the year

Community Development expenditures under budget by \$0.3M

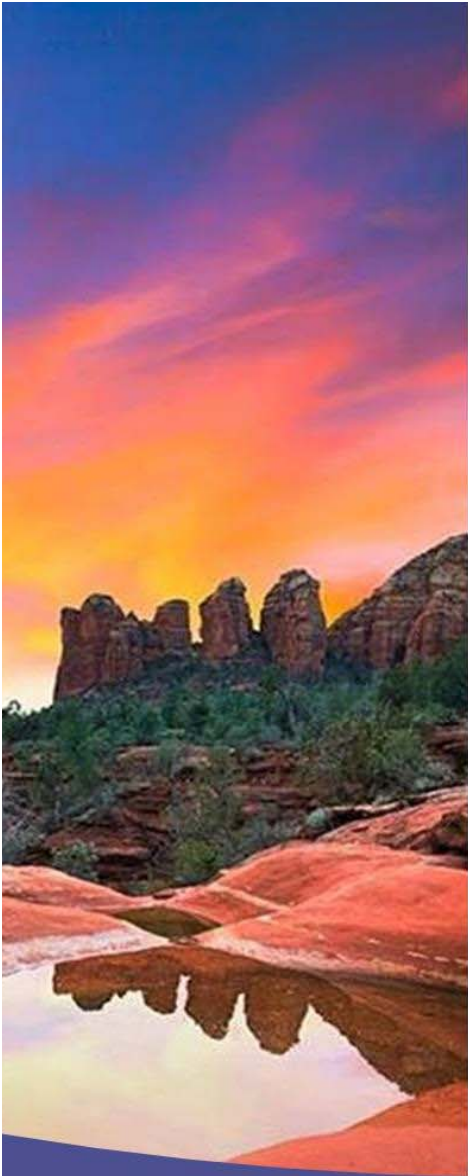
- Delays in updates to Land Development Code and vacancy savings

Police expenditures under budget by \$0.3M

- Vacancy savings



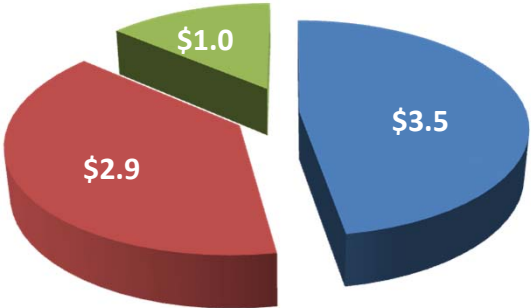
CAFR 2017



Wastewater Fund Expenses by Type

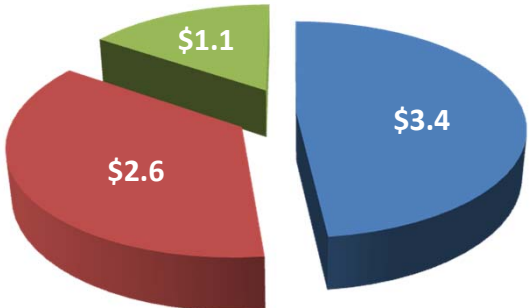
CAFR pg. 32

FY 2017 - \$7.3 million



■ Cost of Services ■ Depreciation ■ Interest

FY 2016 - \$7.1 million



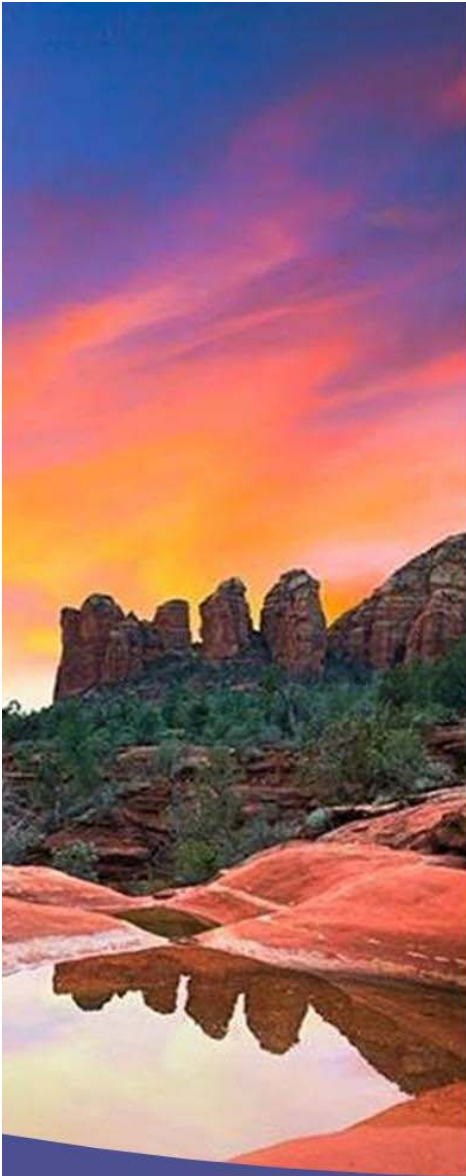
■ Cost of Services ■ Depreciation ■ Interest

Wastewater Fund expenses increased \$0.2 million or 2.7%.

- Depreciation expense increased \$0.3 million or 10% due to an increase in depreciation resulting from the completion of the plant upgrade.



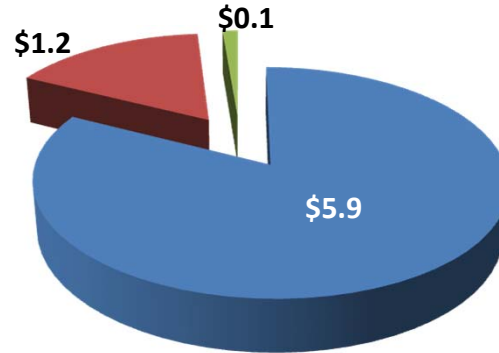
CAFR 2017



Wastewater Fund Revenues by Source

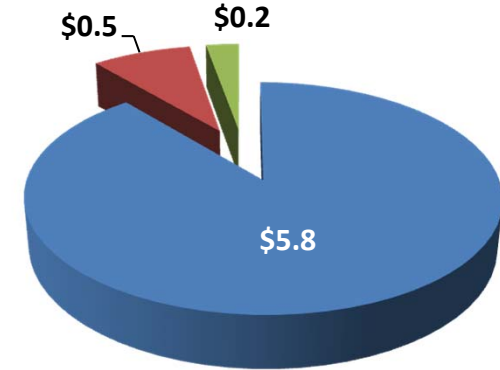
CAFR pg. 32

FY 2017 - \$7.2 million



■ Operating Revenues ■ Capacity Fees ■ Other

FY 2016 - \$6.5 million



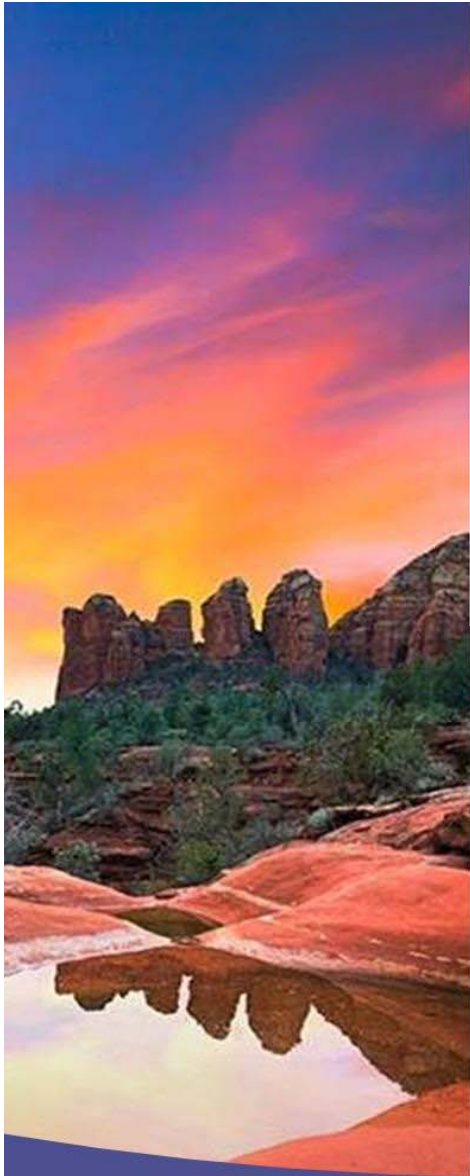
■ Operating Revenues ■ Capacity Fees ■ Other

Wastewater Fund revenues increased \$0.7 million or 10.2%.

- Capacity fee revenues increased \$0.6 million or 116% due to significant one-time fees associated with new construction projects.
- Operating revenues increased \$0.1 million or 2.2% due to a 4% increase in wastewater rates approved by Council offset by customer shifts to lower rate types.



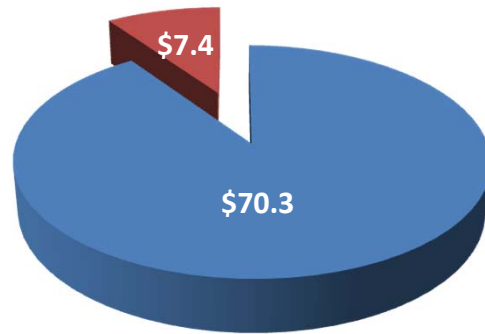
CAFR 2017



Wastewater Fund Net Position

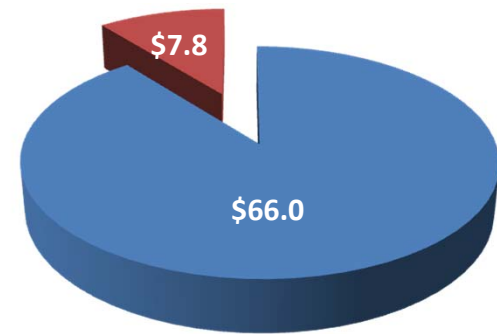
CAFR pg. 31 & 32

FY 2017 - \$77.7 million



■ Net Invest. In Capital Assets ■ Unrestricted

FY 2016 - \$73.8 million



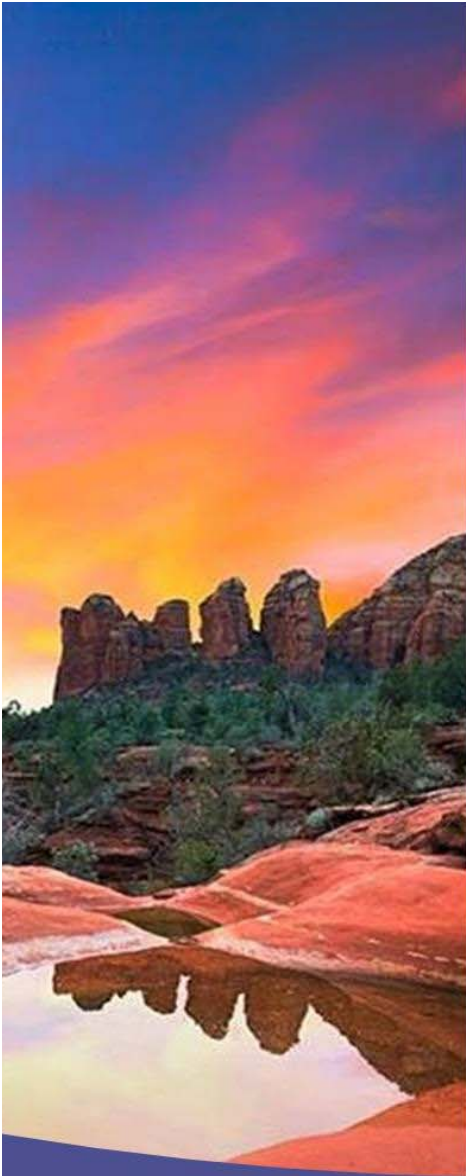
■ Net Invest. In Capital Assets ■ Unrestricted

Wastewater Fund net position increased \$3.9 million or 5.3%.

- The net investment in capital assets increased \$4.3 million or 6.5% due to the pay down on debt related to capital assets.
- Unrestricted net position decreased \$0.4 million or 5.1% due primarily to an operating loss incurred of \$0.4 million.



CAFR 2017



Wastewater Fund Budget Summary

CAFR pg. 86

Capacity fee revenues exceeded budget by \$0.9M

- Significant one-time fees associated with new construction projects

Supplies & Other expenditures under budget by \$0.4M

- Unspent contingencies
- Pump and equipment repairs were less than anticipated
- Operations maintenance costs were less than anticipated

Capital Outlay expenditures under budget by \$1.2M

- Capital improvement projects not completed and carried over to the following year include the effluent management project, the bar screen and filter system upgrades, and the headworks replacement.

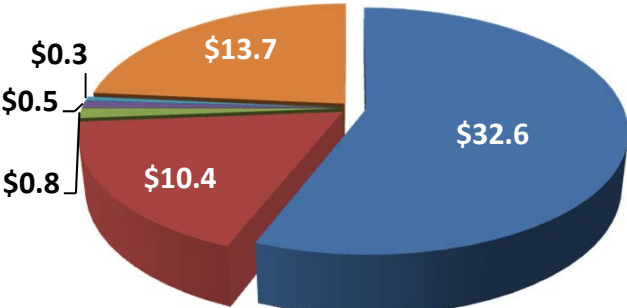


CAFR 2017

Long-Term Obligations

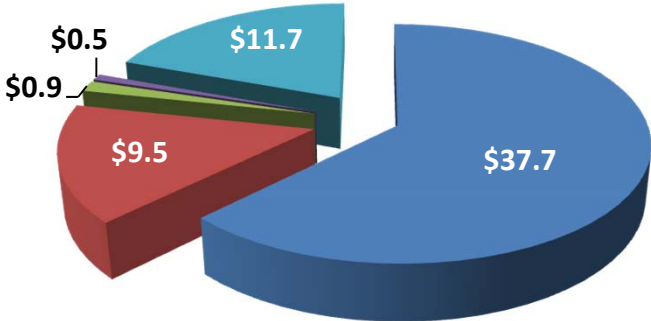
CAFR pg. 23 & 54

FY 2017 - \$58.4 million



■ Revenue Bonds ■ CAB Interest
■ Bond Premium ■ Compensated Absences
■ Capital Lease ■ Net Pension Liability

FY 2016 - \$60.3 million



■ Revenue Bonds ■ CAB Interest
■ Bond Premium ■ Compensated Absences
■ Net Pension Liability

Long-term obligations decreased \$1.9 million or 3.2%.

- Revenue bonds decreased \$5.1 million or 13% due scheduled bond payments made during the year.
- Interest on capital appreciation bonds increased \$0.8 million or 8.8% due to the annual accrual of interest that will not be paid out until maturity of the capital appreciation bonds due July 1, 2020 to July 1, 2024.
- Net pension liability increased \$2.0 million or 18% due to an increase of \$0.7 million or 9% in the ASRS unfunded liability and an increase of \$1.3 million or 36% in the PSPRS unfunded liability.
- A capital lease was initiated in FY 2017 for the inception of the assigned police vehicle program, resulting in an outstanding balance of \$0.3 million.



CAFR 2017

Pledged Revenue Coverage

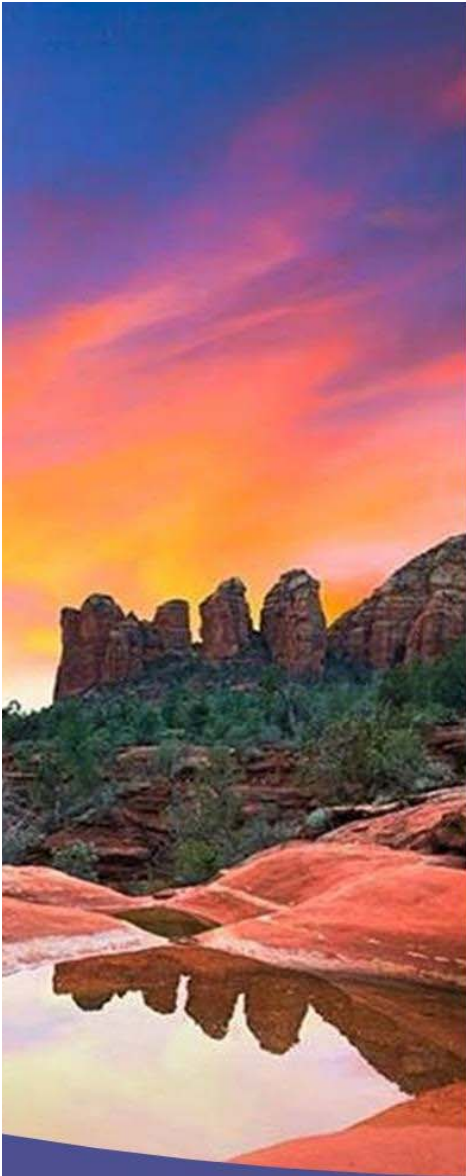
CAFR pg. 53 & 104

Excise tax revenues pledged to pay revenue bonds

- Sales tax, franchise tax, vehicle license tax, unrestricted fines and forfeitures and permits

Minimum required coverage = 1.5 times

FY 2017 revenue coverage = 4.08 times



CAFR 2017

Expenditure Limitation Summary

AELR pg. 2

	FY 2017
Expenditure limit	\$38,360,866
Expenditures subject to limit	33,983,606
Amount under limit	\$ 4,377,260



CAER 2017



Audit Results



CAFR
2017



Questions?



CAFR 2017



**CITY COUNCIL
AGENDA BILL**

**AB 2304
January 23, 2018
Regular Business**

Agenda Item: 8b
Proposed Action & Subject: Discussion/possible direction regarding the City Council Small Grants Program Review Committee's recommendations for the City's Small Grants Program.

Department	City Manager's Office
Time to Present	15 minutes
Total Time for Item	30 minutes
Other Council Meetings	October 24, 2017, November 14, 2017
Exhibits	N/A

City Attorney Approval	Reviewed 1/16/18 RLP	Required	
			\$ 0
City Manager's Recommendation	Consider recommended changes to the small grants program provided by the Council Committee.	Amount Budgeted	\$ 0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: The City of Sedona created a small grants program to encourage and fund activities, programs, or events developed by 501(c) organizations that serve the public and provide a fair return value to the City. Eligible programs, activities, or events include those that promote public health, safety, general welfare, and/or foster the well-being and prosperity of the City and its residents.

On December 13, 2016, the City Council added the reexamination of the City's Small Grant Awards Program to its list of Council priorities for 2017. On October 24, 2017, City Council provided consensus direction that a Council Committee should be formed to work towards making those additional changes, and on November 14, 2017 the Council authorized the Mayor to form a City Council Committee to conduct the review and bring recommendations back to the full Council for consideration and direction.

The City Council Small Grants Program Review Committee includes Mayor Moriarty, Councilor Thompson, and Councilor Lamkin. They met twice, on December 5th and 19th.

In order to meet the FY2019 Small Grants Awards Program timeline, which includes opening the grant application period by February 2018, the Committee has identified short-term recommendations that can be implemented for FY19.

The recommendations for immediate changes include:

- Apply an inflationary escalator each year (Western States Urban Consumer Price Index (CPI)) to the prior year's small grants budget allocation and use this figure as a starting point for Council consideration of the annual funding amount. This would be the amount included in the City Manager Recommended Budget, but Council would be intentional about discussing this line item each year and considering whether or not it should be increased, or in the case of a recessionary period or other circumstances, decreased.
- Board members or employees of any applicant organization should be prohibited from serving as grant reviewers.
- Distribute grant applications by request only so staff can track who has obtained an application, compare that list to the list of those who submit an application, and can follow up with those who do not submit to determine why they did not ultimately apply. This information will be compiled and used by the Council Committee to further evaluate the process, application, etc. for the FY20 process.
- Change the current ineligibility for religious *organizations*, to ineligibility for religious *programs or activities*. This change would allow religious organizations to be funded for non-religious programs, activities, or events that serve the community. While a recent Supreme Court decision supports this change, because the specific "programs or activities" are still emerging subsequent to the Supreme Court decision, these applications will be reviewed by the City Attorney on a case by case basis for constitutionality prior to citizen work group consideration.

If approved by the full Council, these changes will be implemented for the FY19 grant process.

The Council Committee desires to continue their work and possibly make larger-scale modifications in preparation for the FY20 process. Once the FY19 process has concluded, the Council Committee will reconvene to review feedback from applicants, meet with the small grants volunteer coordinator and other review committee members to solicit their feedback/input, and research and review best practices from other municipal small grants programs. They would then be in the best position to bring back possible additional changes for FY20.

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): Maintain existing program criteria and processes for FY19.

MOTION

I move to: for discussion and possible direction.



**CITY COUNCIL
AGENDA BILL**

**AB 2336
January 23, 2018
Regular Business**

Agenda Item: 8c
Proposed Action & Subject: Discussion/possible action regarding proposed State legislation and its potential impact on the City of Sedona.

Department	Legal
Time to Present	10 Minutes
Total Time for Item	30 Minutes
Other Council Meetings	N/A
Exhibits	None

City Attorney Approval	Reviewed 1/16/18 RLP	Expenditure Required \$ 0 Amount Budgeted \$ 0 Account No. N/A (Description) Finance Approval <input checked="" type="checkbox"/>
City Manager's Recommendation	None.	

SUMMARY STATEMENT

Background: During the course of the State Legislative Session, many bills are introduced that have a potential impact on the City of Sedona. The Arizona League of Cities and Towns and City staff routinely monitor bills of interest as they progress through the legislative process.

This item is scheduled in order to provide a summary update on relevant bills, to answer questions that the City Council may have in regard to any individual bill and to consider the need for the City Council to take a formal position in support or opposition of any particular bill.

On February 14, 2017, Council agreed by majority consensus to continue to allow staff and the Mayor to weigh in on issues at the Legislature on behalf of the City through the same process established on February 11, 2014. Council will be notified via email of issues on which the City takes a position. Such a practice is a very effective method of ensuring appropriate City involvement with legislative issues.

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s):

MOTION

I move to: for informational purposes only, unless there is a preference to take a position on a particular bill.