

2018 CAFR

CITY OF SEDONA, ARIZONA
COMPREHENSIVE ANNUAL
FINANCIAL REPORT



CITY OF SEDONA, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018

Prepared by:
Financial Services Department

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CITY OF SEDONA, ARIZONA

For the Year Ended June 30, 2018

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INTRODUCTORY SECTION

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www.SedonaAZ.gov

December 28, 2018

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

We are pleased to submit to you the fiscal year 2018 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, 2018, 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 unmodified opinion that the financial statements for the City of Sedona, Arizona for the fiscal year ended June 30, 2018, 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 this 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 10,336. 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 2018 was a successful year. Revenues exceeded conservative budget estimates by approximately 8% and were budgeted at a 9% increase for fiscal year 2019, primarily based on projected increases in sales and bed taxes including the half-cent sales tax dedicated to transportation projects and related administrative and operational costs effective March 1, 2018.

Economic Outlook

Retail Sales: The City of Sedona places a heavy reliance on sales tax revenues, 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 67% of the General Fund revenues. The City's unrestricted sales tax rate is currently at 3%. The City subsidizes the Wastewater Enterprise Fund with 25% 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 13% over the prior fiscal year and are expected to increase moderately over the next several years.

The City also has a 3.5% bed tax (transient occupancy), which is allocated to the General Fund. The bed tax rate was increased from 3% to 3.5% effective January 1, 2014. State statutes require the proceeds from the 0.5% rate increase be used exclusively for the promotion of tourism. The City Council has committed 55% of the proceeds of the bed tax to the management and 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. As a result, the marketing efforts have been reduced and the more effort has been placed on the management of tourism to achieve a sustainable balance. For fiscal year 2018, bed tax revenue exceeded the prior year actuals by 16%. 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% 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. The City's goal is to focus on ensuring that a minimum of the first three years of the plan are fully funded.

The City Council has identified the highest priority improvements as primarily transportation projects. Due to the staffing workload necessary to accomplish these projects, most other identified capital improvement projects have been delayed with the exception of certain storm drainage projects, wastewater projects, and other projects that were either in progress or do not require significant management by City engineers.

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 a portion of surplus General Fund balances were transferred to the Capital Improvements Fund to support capital infrastructure projects. The disposition of the remaining surplus balances in the General Fund will be decided in the fiscal year 2020 budget process.

Major Initiatives and Service Efforts and Accomplishments for the Year

During fiscal year 2018, 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 2018:

Police

- Deployed first bicycle police officers and the Sedona Mountain Bike Festival and the St. Patrick's Day Parade.
- Conducted 3 homeless outreach/illegal camping operations with the U.S. Forest Service and veterans/homeless non-profit personnel.
- Increased investigations' clearance rates for violent crime by 8 % and for property crimes by 5%.
- Implemented a new computer-aided dispatch and records management system.
- Increased patrols in parking lots and trailheads by 50%.
- Over 4,000 hours donated by volunteers to provide prisoner/evidence transportation, house watch, crime scene/traffic control assistance and special event services.

Public Works

- Began implementation of Transportation Master Plan projects.
- Completed Brewer Road/Tlaquepaque drainage improvements.
- Completed Phase 3 of improvements in the Coffee Pot Drainage Basin in the Grasshopper Lane area.
- Completed drainage improvements to the Soldier Wash Crossing at Brewer Road.

- Completed Phase 1 for Posse Grounds Dog Park upgrades, including resurfacing and water stations.
- Completed approximately 5.9 miles of streets rehabilitation and pavement preservation projects.
- Increased the number of days of traffic control operations for days experiencing high congestion on State Routes 89A and 179, the City's main arterials.

Management Services

- Initiated a process to develop a sustainable tourism plan involving participation of Sedona residents, community groups, and business.
- Migrated to Microsoft Office 365.
- Prepared for the next Alternative Expenditure Limitation – Home Rule election in August 2018.

Economic Development

- Completed the Verde Valley Regional Economic Organization regional economic development strategic plan.
- Acquired \$100,000 of grant funding in participation with the City of Cottonwood to provide business assistance services.

Community Development

- Completed the Schnebly Community Focus Area (CFA) plan.
- Continued a comprehensive update of the Sedona Land Development Code.
- Completed a comprehensive update of the Sign Code.
- Over 400 code enforcement cases processed.
- Completed approximately 4,800 building inspections.
- Completed a conceptual master plan for the Brewer Road property and historic ranger station.
- Initiated a major Community Plan amendment to create a multi-family high density designation to assist in achieving housing diversity and affordability.
- Participated in a start-up, grassroots citizens group working on housing issues.

Parks & Recreation

- Offered 23 days of events in one year, including 3 new events.
- Partnered with other organizations to create the Sedona Northern Lights event.
- Extended the pool season an additional 8 weeks.

Wastewater

- Completed Phase 1 of an inspection of the interceptor line that runs between the City limits and the treatment plan.
- Completed an update of the Wastewater Master Plan.
- Completed the treatment plan headworks bar screen replacement project.
- Collected and processed approximately 1.17 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 2019 budget process. The City Council categorized priorities as either "high," "medium," or "low." Some of the fiscal year 2019 priorities include completing various transportation improvements, completing the update of the Land Development Code, updating the building code, developing community focus area (CFA) specific area plans, developing strategies for sustainable tourism and environmental sustainability, monitoring and assessing impacts of short-term rentals, and developing a plan for addressing affordable housing issues.

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, 2017. This was the 19th 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.

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,

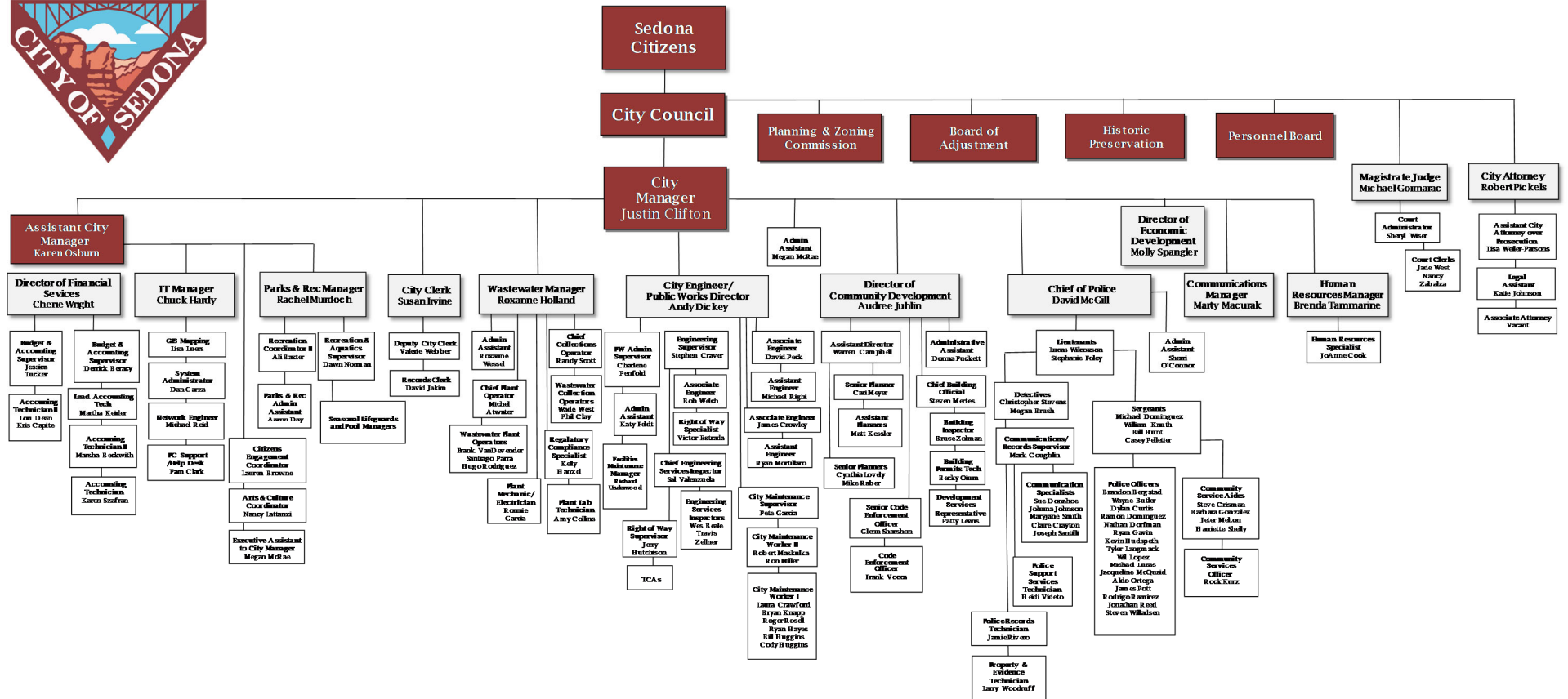


Justin Clifton
City Manager



Cherie R. Wright
Director of Financial Services

CITY OF SEDONA, ARIZONA ORGANIZATIONAL CHART JUNE 30, 2018



CITY OF SEDONA, ARIZONA
LIST OF ELECTED AND APPOINTED OFFICIALS
JUNE 30, 2018

Sandy Moriarty
Mayor

John Martinez
Vice Mayor

Councilmembers

John Currivan Scott Jablow Tom Lamkin

Jon Thompson Jessica Williamson

Justin Clifton
City Manager

Karen Osburn
Assistant City Manager

Cherie R. Wright
Director of Financial Services

Acknowledgements

Brenda Tammarine, Human Resources Manager, for Cover Design



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, 2017

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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Streets Fund, and Transportation Sales Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During the fiscal year ended June 30, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of GASBS No. 75, the City reported a restatement for the change in accounting principle (See Note 18). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 28, 2018

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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, 2018. 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 2018 and 2017 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 2018 and 2017 by \$135.6 million and \$126.5 million (net position), respectively. Of these amounts, \$24.3 million and \$20.8 million (unrestricted net position), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position increased by \$9.1 million during fiscal year 2018 and increased \$7.8 million during fiscal year 2017.
- As of June 30, 2018 and 2017, the City's governmental funds reported combined ending fund balances of \$29.5 million and \$27.5 million, respectively, which were comprised of nonspendable, restricted, committed, assigned, and unassigned fund balances.
- At the close of fiscal year 2018, unassigned fund balance for the General Fund was \$6.9 million, or 35.7% of actual operating expenditures.
- During fiscal year 2018, the City's total bonded debt decreased by \$5.2 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.

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 sickleave.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-Wide Financial Statements (Continued)

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 31 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.

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, Transportation Sales Tax Fund, and Capital Improvements 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 33 of this report.

Proprietary Funds – The City maintains two types of proprietary funds: enterprise funds and internal service 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.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its information technology operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the wastewater operations which is considered a major fund of the City. Conversely, the internal service fund, although presented in the proprietary fund financial statements, is not considered a major fund.

The proprietary fund financial statements begin on page 40 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 43 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/other postemployment benefits (OPEB) benefits to its employees, including the Schedule of the City's Proportionate Share of the Net Pension/OPEB Liability, Schedule of Changes in the City's Net Pension/OPEB Liability and Related Ratios, Schedule of City Pension/OPEB Contributions. This information can be found beginning on page 77 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.

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.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)

Net position may serve as a useful indicator of a government's financial position. Net position was \$135.6 million and \$126.5 million at the close of the fiscal year 2018 and 2017, respectively.

**CITY OF SEDONA, ARIZONA
CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2018 AND 2017**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017 As Restated	2018	2017 As Restated	2018	2017 As Restated
Current and other assets	\$ 33,435,885	\$ 31,484,603	\$ 21,474,062	\$ 20,343,846	\$ 54,909,947	\$ 51,828,449
Capital assets						
Nondepreciable	9,193,643	12,776,270	11,263,580	16,806,508	20,457,223	29,582,778
Depreciable	34,990,168	28,496,345	85,485,290	81,265,572	120,475,458	109,761,917
Total assets	77,619,696	72,757,218	118,222,932	118,415,926	195,842,628	191,173,144
Deferred outflows of resources	3,689,474	4,185,447	340,141	394,974	4,029,615	4,580,421
Other liabilities	3,123,581	3,256,578	5,496,457	6,139,964	8,620,038	9,396,542
Noncurrent liabilities						
Due within one year	1,779,254	1,645,298	4,053,108	3,978,939	5,832,362	5,624,237
Due in more than one year	21,270,866	21,914,919	27,652,172	30,860,576	48,923,038	52,775,495
Total liabilities	26,173,701	26,816,795	37,201,737	40,979,479	63,375,438	67,796,274
Deferred inflows of resources	864,232	1,326,184	63,595	120,393	927,827	1,446,577
Net position						
Net investment in capital asset:						
Restricted	34,194,446	30,918,472	73,584,108	70,267,474	107,778,554	101,185,946
Unrestricted	3,491,426	4,554,465	3,486	-	3,494,912	4,554,465
Total net position	16,585,365	13,326,749	7,710,147	7,443,554	24,295,512	20,770,303
	\$ 54,271,237	\$ 48,799,686	\$ 81,297,741	\$ 77,711,028	\$ 135,568,978	\$ 126,510,714

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 \$107.8 million (79.5%) and \$101.2 million (80.0%) for the fiscal years 2018 and 2017, 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, \$3.5 million (2.6%) for fiscal year 2018 and \$4.6 million (3.6%) for fiscal year 2017, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position for fiscal years 2018 and 2017, \$24.3 million (17.9%), and \$20.8 million (16.4%) 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, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position

The City's net position increased by \$9.1 million and \$7.8 million during the fiscal years 2018 and 2017, 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, 2018 AND 2017**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017 As Restated	2018	2017 As Restated	2018	2017 As Restated
Revenues						
Program revenues						
Charges for services	\$ 1,579,938	\$ 812,123	\$ 6,180,360	\$ 5,934,888	\$ 7,760,298	\$ 6,747,011
Operating grants and contributions	1,133,423	1,213,350	-	-	1,133,423	1,213,350
Capital grants and contributions	1,037,264	1,924,413	523,013	1,167,388	1,560,277	3,091,801
General revenues						
Local taxes	24,251,876	21,401,345	-	-	24,251,876	21,401,345
State revenue sharing	2,928,864	2,827,806	-	-	2,928,864	2,827,806
Investment earnings	99,315	159,363	100,891	78,287	200,206	237,650
Other	70,639	107,960	391,650	13,116	462,289	121,076
Total Revenues	31,101,319	28,446,360	7,195,914	7,193,679	38,297,233	35,640,039
Expenses						
General government	2,809,253	6,103,129	-	-	2,809,253	6,103,129
Public safety	7,542,130	5,357,797	-	-	7,542,130	5,357,797
Public works and streets	5,336,542	4,534,423	-	-	5,336,542	4,534,423
Culture and recreation	2,501,727	1,928,332	-	-	2,501,727	1,928,332
Economic development	2,355,663	2,261,269	-	-	2,355,663	2,261,269
Health and welfare	251,997	-	-	-	251,997	-
Public transportation	188,604	-	-	-	188,604	-
Interest on long-term debt	292,714	296,144	-	-	292,714	296,144
Wastewater	-	-	7,960,339	7,333,789	7,960,339	7,333,789
Total expenses	21,278,630	20,481,094	7,960,339	7,333,789	29,238,969	27,814,883
Increase (decrease) in net position before transfers	9,822,689	7,965,266	(764,425)	(140,110)	9,058,264	7,825,156
Transfers	(4,351,138)	(4,038,211)	4,351,138	4,038,211	-	-
Change in net position	5,471,551	3,927,055	3,586,713	3,898,101	9,058,264	7,825,156
Net position - beginning, as restated	48,799,686	44,872,631	77,711,028	73,812,927	126,510,714	118,685,558
Net position - ending	\$ 54,271,237	\$ 48,799,686	\$ 81,297,741	\$ 77,711,028	\$ 135,568,978	\$ 126,510,714

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position (Continued)

Governmental Activities – In fiscal year 2018, governmental activities increased the net position of the City by \$5.5 million. Total revenues increased \$2.7 million (9.3%) from fiscal year 2017. Program revenues, which are comprised of charges for services, operating and capital grants and contributions, decreased \$0.2 million (5.0%) primarily due to a decrease in capital grants and contributions. General revenues, which include local taxes, state revenue sharing, investment income and other revenues, increased \$2.9 million (11.7%) due to an increase in tax revenues.

Local taxes increased by \$2.9 million (13.3%) due to several factors. The economy has continued to improve which has resulted in increased tourism and consumer spending. A change in legislation effective January 1, 2017 took away the City's authority to prohibit short-term residential rentals. The City now receives tax revenue from these rentals and has seen an increase in activity. In addition, the City Council approved a half-cent sales tax dedicated to transportation projects and related administrative and operational costs effective March 1, 2018.

Charges for services increased \$0.8 million (94.5%) primarily due to the initiation of a paid parking program in Uptown. In addition, the increase was partly due to increases in court fines.

Capital grants and contributions decreased \$0.9 million (46.1%) due to significant one-time development impact fees and outside participation in sharing of significant drainage improvement costs that occurred in the previous year.

Expenses increased \$0.8 million, or 3.9%. General government expenses decreased primarily due to the implementation of an indirect cost allocation plan used to allocate certain internal service costs to the benefitting programs.

Public safety expenses increased due to the implementation of the indirect cost allocation plan and fewer position vacancies than were incurred in the previous year.

Public works and streets expenses increased primarily due to the implementation of the indirect cost allocation plan. Culture and recreation expenses also increased primarily due to the implementation of the indirect cost allocation plan.

Business-Type Activities – Business-type activities increased the City's net position by \$3.6 million in fiscal year 2018. Income from operations increased \$2,235 and expenses increased by \$0.6 million. The increase in expenses was primarily related to the implementation of the indirect cost allocation plan.

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, Transportation Sales Tax Fund, and Capital Improvements Fund.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$29.5 million, an increase of \$2.0 million, or a 7.2% increase in comparison with the prior year. The combined ending fund balances for fiscal year 2017 were \$27.5 million.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

The General Fund is the chief operating fund of the City. At June 30, 2018, the unassigned fund balance of the General Fund was \$6.9 million, or 23.5% of the combined governmental fund balance. The unassigned fund balance of the General Fund at June 30, 2017 was \$8.5 million, or 30.9% 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 \$6.9 million represents 35.7% of General Fund expenditures.

The General Fund fund balance decrease of \$1.3 million from fiscal year 2017 is largely due to a change in the City's fund balance policy reducing the required maximum fund balance and a transfer of the excess fund balance to the Capital Improvements Fund. Tax revenue increased \$1.7 million which is a combination of sales, franchise and in lieu tax revenues. Expenditures also increased from the prior year by \$2.1 million, resulting from the implementation of an indirect cost allocation plan during the fiscal year and an increase in schedule debt service costs.

The Streets Fund is used to account for the state shared revenues restricted for street and highway purposes. The fund balance at June 30, 2018 was \$0.5 million and was assigned due to unspent transfers from the General Fund. The Streets Fund received a transfer of \$35,389 from the General Fund to supplement the cost of street improvement projects. The Streets Fund fund balance decreased from the prior year as the result of a planned reduction in fund balance to comply with the City's maximum fund balance policy.

The Transportation Sales Tax Fund was initiated in fiscal year 2018 as the result of an approved half-cent sales tax dedicated to transportation projects and related administrative and operation costs effective March 1, 2018. The fund balance at June 30, 2018 was \$1.0 million.

The Capital Improvements Fund fund balance increased \$2.2 million, mainly due to a transfer from the General Fund to move excess fund balance to the Capital Improvements Fund. In the current year, the City was able to transfer \$5.4 million from the General Fund to the Capital Improvements Fund for ongoing capital projects.

The nonmajor governmental funds reported an increase in fund balance of \$0.3 million. This change was a result of transfers from the Capital Improvements Fund for future capital projects.

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 for the Wastewater Fund was \$7.7 million. For fiscal year 2018, the change in net position for the Wastewater Fund was \$3.6 million. The increase was due to a scheduled reduction in long-term debt and an increase in transfers from the General Fund to subsidize a portion of the debt payments.

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 \$98,457 to help cover the cost of repairs due to flood damage caused by a water line break.

The actual expenditures reflected a favorable variance to the final budget in the amount of \$2.1 million (9.8%) less than the total appropriations. In fiscal year 2017, actual expenditures showed a favorable variance to final budget in the amount of \$1.9 million (10.4% less).

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

Unspent contingencies were approximately \$0.8 million. Community development expenditures were under the budgeted amount by \$0.2 million primarily due to the carryover of the Land Development Code update project into the following fiscal year. Public works expenditures were under the budgeted amount by \$0.3 million primarily due to vacancy savings and streets maintenance that did not occur during the fiscal year.

Total revenues reflect a positive variance to budget in the amount of \$1.1 million (4.3%) for fiscal year 2018 and a positive variance of \$0.8 million (3.2%) in fiscal year 2017.

Sales tax revenues exceeded the budget amount by \$0.6 million as a result of increased tourism and consumer spending above projected levels. Charges for services exceeded the budget amount by \$0.3 million primarily due to higher than anticipated revenues from the newly initiated paid parking program in Uptown.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2018 and 2017 amount to \$140.9 million and \$139.3 million, respectively (net of accumulated depreciation). The net increase in capital assets (net of accumulated depreciation) was \$1.6 million, due primarily to construction in progress and completed construction of ongoing capital improvements for the wastewater system, street and pedestrian improvements, drainage improvements, police, 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 ACCUMULATED DEPRECIATION
JUNE 30, 2018 AND 2017**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 8,790,846	\$ 8,790,846	\$ 11,159,413	\$ 11,159,413	\$ 19,950,259	\$ 19,950,259
Construction in progress	402,797	3,985,424	104,167	5,647,095	506,964	9,632,519
Land improvements	6,487,869	6,174,333	36,755	-	6,524,624	6,174,333
Buildings and improvements	4,662,140	4,828,830	-	-	4,662,140	4,828,830
Wastewater system	-	-	84,996,948	80,924,303	84,996,948	80,924,303
Machinery, equipment and vehicles	1,566,821	1,133,039	451,587	341,269	2,018,408	1,474,308
Infrastructure	22,273,338	16,360,143	-	-	22,273,338	16,360,143
Total capital assets	<u>\$44,183,811</u>	<u>\$41,272,615</u>	<u>\$96,748,870</u>	<u>\$98,072,080</u>	<u>\$140,932,681</u>	<u>\$139,344,695</u>

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

- Various drainage project improvements.
- Various road and pedestrian access improvement projects.
- Completion of the first two wastewater effluent management injection wells.
- Completion of the wastewater headworks rebuild.
- Completion of dog park improvements and Wetlands viewing piers.
- Installation of new police computer-aided dispatch and automated records management system.

Additional information on the City's capital assets can be found in Note 6 on pages 54-55 of this report.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Long-Term Debt

At the end of fiscal year 2018, City of Sedona, Arizona had total bonded debt outstanding of \$28.2 million (including related premium). At the end of fiscal year 2017, the City had bonded debt totaling \$33.4 million. All of the fiscal year 2018 total bonded debt was related to revenue bonds. An additional \$11.3 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, 2018 were \$0.4 million. Installment purchase payables outstanding as of June 30, 2018 were \$10,945.

State statutes impose certain debt limitations on the City of 6% and 20% of the outstanding secondary assessed valuation of the City. The City's available debt margin at June 30, 2018 is \$22.6 million in the 6% capacity and \$75.4 million in the 20% capacity. In fiscal year 2017, the 6% capacity limit was \$21.7 million, and the 20% capacity limit was \$72.3 million. Additional information on the debt limitations and capacities may be found on page 111 in the statistical section of this report. See Notes 9 through 12 to the financial statements on pages 57-59 for further information regarding long-term debt.

**CITY OF SEDONA, ARIZONA
OUTSTANDING DEBT
JUNE 30, 2018**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue obligation bonds	\$8,790,000	\$10,025,000	\$19,388,665	\$23,394,748	\$28,178,665	\$33,419,748
Capital appreciation bond interest	-	-	11,259,315	10,376,075	11,259,315	10,376,075
Installment purchase	10,945	14,563	-	-	10,945	14,563
Capital leases	415,113	320,990	-	-	415,113	320,990
Total outstanding debt	<u>\$9,216,058</u>	<u>\$10,360,553</u>	<u>\$30,647,980</u>	<u>\$33,770,823</u>	<u>\$39,864,038</u>	<u>\$44,131,376</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Sedona, Arizona, as well as other Arizona cities, remains 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 2018-19 budgeted General Fund expenditures (including inter-fund transfers) are balanced with anticipated revenue. The total adopted fiscal year 2018-19 budget is \$47.8 million, which includes capital projects of \$13.0 million. The budget for fiscal year 2019 also includes the following:

- The overall salary budgets were increased for an average merit increase of approximately 3.3%.
- As of the most recent actuarial valuation report, the City's funded status in the Arizona Public Safety Personnel Retirement System (PSPRS) was 56%. This is a significant drop from the most recent high in 2010 of 91% funded. The City Council approved an additional contribution of approximately \$366,000 over the actuarially required contribution amount, based on a level-payment funding methodology.
- Additions to the fiscal year 2019 budget included the increase of two part-time positions to full-time, an expansion of the Verde Lynx Transit services, an ongoing allocation to the Affordable Housing Fund, and a wastewater rate study.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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.

BASIC FINANCIAL STATEMENTS

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CITY OF SEDONA, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 29,095,427	\$ 20,774,337	\$ 49,869,764
Restricted assets	3,000	14,250	17,250
Receivables, net of allowance for uncollectibles			
Taxes, net	3,371,755	-	3,371,755
Accounts, net	533,826	639,528	1,173,354
Accrued interest	86,098	38,469	124,567
Internal balances	3,844	(3,844)	-
Due from other government units	172,214	-	172,214
Prepaid items	17,713	7,836	25,549
Net pension/OPEB asset	152,008	3,486	155,494
Capital assets			
Nondepreciable	9,193,643	11,263,580	20,457,223
Depreciable (net)	34,990,168	85,485,290	120,475,458
Total assets	<u>77,619,696</u>	<u>118,222,932</u>	<u>195,842,628</u>
Deferred outflows of resources			
Deferred outflows related to pensions/OPEB	3,222,011	196,238	3,418,249
Deferred charge on debt refunding	467,463	143,903	611,366
Total operating expenses	<u>3,689,474</u>	<u>340,141</u>	<u>4,029,615</u>
Liabilities			
Accounts payable	1,553,685	622,770	2,176,455
Accrued wages and benefits	163,845	21,055	184,900
Interest payable	107,594	240,368	347,962
Matured debt principal payable	1,235,000	3,920,000	5,155,000
Retainage payable	5,770	-	5,770
Due to other government units	26,475	-	26,475
Deposits payable	21,047	14,250	35,297
Unearned revenue	10,165	678,014	688,179
Noncurrent liabilities			
Due within one year	1,779,254	4,053,108	5,832,362
Due in more than one year	21,270,866	27,652,172	48,923,038
Total liabilities	<u>26,173,701</u>	<u>37,201,737</u>	<u>63,375,438</u>
Deferred inflows related to pensions/OPEB	<u>864,232</u>	<u>63,595</u>	<u>927,827</u>
Net position (deficit)			
Net investment in capital assets	34,194,446	73,584,108	107,778,554
Restricted for			
Net pension/OPEB asset	152,008	3,486	155,494
Streets	599,198	-	599,198
Court improvements	44,154	-	44,154
Criminal case processing	42,437	-	42,437
Police Department programs	52,058	-	52,058
Parks improvements	2,001,302	-	2,001,302
Flood control	217,553	-	217,553
Police improvements	59,249	-	59,249
Summit CFD improvements	292,469	-	292,469
Fairfield CFD improvements	30,998	-	30,998
Unrestricted (deficit)	16,585,365	7,710,147	24,295,512
Total net position (deficit)	<u>\$ 54,271,237</u>	<u>\$ 81,297,741</u>	<u>\$ 135,568,978</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF SEDONA, ARIZONA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities							
General Government	\$ 2,809,253	\$ 824,299	\$ 84,548	\$ 388	\$ (1,900,018)	\$ -	\$ (1,900,018)
Public Safety	7,542,130	607,666	71,892	18,907	(6,843,665)	-	(6,843,665)
Public Works and Streets	5,336,542	16,614	966,933	697,850	(3,655,145)	-	(3,655,145)
Culture and Recreation	2,501,727	131,359	10,050	320,119	(2,040,199)	-	(2,040,199)
Economic Development	2,355,663	-	-	-	(2,355,663)	-	(2,355,663)
Health and Welfare	251,997	-	-	-	(251,997)	-	(251,997)
Public Transportation	188,604	-	-	-	(188,604)	-	(188,604)
Interest on Long-Term Debt	292,714	-	-	-	(292,714)	-	(292,714)
Total governmental activities	21,278,630	1,579,938	1,133,423	1,037,264	(17,528,005)	-	(17,528,005)
Business-type activities							
Wastewater	7,960,339	6,180,360	-	523,013	-	(1,256,966)	(1,256,966)
Total primary government	<u>\$29,238,969</u>	<u>\$7,760,298</u>	<u>\$ 1,133,423</u>	<u>\$ 1,560,277</u>	(17,528,005)	(1,256,966)	(18,784,971)
General revenues							
Taxes							
Sales taxes					\$ 22,795,216	\$ -	\$ 22,795,216
Franchise taxes					813,573	-	813,573
In lieu taxes					643,087	-	643,087
Unrestricted state revenue sharing					1,287,767	-	1,287,767
Unrestricted state sales tax revenue sharing					998,202	-	998,202
Unrestricted auto lieu tax revenue sharing					642,895	-	642,895
Investment earnings					99,315	100,891	200,206
Other					70,639	391,650	462,289
Transfers					(4,351,138)	4,351,138	-
Total general revenues and transfers					<u>22,999,556</u>	<u>4,843,679</u>	<u>27,843,235</u>
Change in net position					5,471,551	3,586,713	9,058,264
Net position - beginning, as restated					<u>48,799,686</u>	<u>77,711,028</u>	<u>126,510,714</u>
Net position - ending					<u>\$ 54,271,237</u>	<u>\$ 81,297,741</u>	<u>\$135,568,978</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF SEDONA, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General	Streets	Transportation Sales Tax	Capital Improvements	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 8,616,970	\$ 768,669	\$ 613,414	\$ 15,600,872	\$ 3,231,053	\$ 28,830,978
Receivables, net of allowance for uncollectibles						
Taxes, net	2,913,685	-	426,908	-	31,162	3,371,755
Accounts, net	367,922	-	-	165,904	-	533,826
Accrued interest	17,256	2,527	3,419	51,289	10,728	85,219
Due from other government units	60,252	86,896	-	12,803	12,263	172,214
Prepaid items	15,604	-	1,075	-	500	17,179
Total assets	<u>\$11,991,689</u>	<u>\$ 858,092</u>	<u>\$ 1,044,816</u>	<u>\$ 15,830,868</u>	<u>\$ 3,285,706</u>	<u>\$ 33,011,171</u>
Liabilities						
Accounts payable	\$ 354,046	\$ 308,350	\$ -	\$ 787,598	\$ 37,448	\$ 1,487,442
Accrued wages and benefits	154,239	-	-	-	88	154,327
Interest payable	107,530	-	-	-	64	107,594
Matured debt principal payable	1,224,915	-	-	-	10,085	1,235,000
Retainage payable	-	-	-	5,770	-	5,770
Due to other government units	26,475	-	-	-	-	26,475
Deposits payable	21,047	-	-	-	-	21,047
Unearned revenue	7,754	-	-	-	2,411	10,165
Total liabilities	<u>1,896,006</u>	<u>308,350</u>	<u>-</u>	<u>793,368</u>	<u>50,096</u>	<u>3,047,820</u>
Deferred Inflows of Resources						
Deferred inflows - unavailable revenue	<u>344,306</u>	<u>-</u>	<u>-</u>	<u>162,500</u>	<u>-</u>	<u>506,806</u>
Fund Balances (Deficits)						
Nonspendable	15,604	-	1,075	-	500	17,179
Restricted	86,591	-	-	123,124	3,129,703	3,339,418
Committed	701,913	-	1,043,741	-	104,171	1,849,825
Assigned	2,032,174	549,742	-	14,751,876	32,482	17,366,274
Unassigned	6,915,095	-	-	-	(31,246)	6,883,849
Total fund balances (deficits)	<u>9,751,377</u>	<u>549,742</u>	<u>1,044,816</u>	<u>14,875,000</u>	<u>3,235,610</u>	<u>29,456,545</u>
 Total liabilities and fund balances (deficits)	 <u>\$11,991,689</u>	 <u>\$ 858,092</u>	 <u>\$ 1,044,816</u>	 <u>\$ 15,830,868</u>	 <u>\$ 3,285,706</u>	 <u>\$ 33,011,171</u>

See accompanying Notes to the Basic Financial Statements.

CITY OF SEDONA, ARIZONA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET POSITION
JUNE 30, 2018

Total Fund Balances for Governmental Funds \$ 29,456,545

Amounts reported for governmental activities in the Statement of Net Position 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. 506,806

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

Governmental capital assets	68,415,360
Accumulated depreciation	(24,345,111)
Capital assets used in governmental activities	44,070,249

Net pension/OPEB assets held in trust for future benefits are not available for City operations and, therefore, are not reported in the funds. 149,824

Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows related to pensions/OPEB	3,112,048
Deferred inflows related to pensions/OPEB	(824,394)

The internal service fund is used by management to charge costs of certain activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Government-Wide Statement of Net Position.

Net position	(279,446)
Amount attributable to the business-type activities	3,844

Long term liabilities, including bonds payable, deferred amounts on refunding, and the net pension/OPEB liability are not due and payable in the current period and, therefore, are not reported in the funds.

Revenue bonds	(8,790,000)
Deferred charges on refunding	467,463
Installment purchase payable	(10,945)
Compensated absences	(501,004)
Capital leases	(415,113)
Net pension/OPEB liability	(12,674,640)

Net position of governmental activities \$ 54,271,237

See accompanying Notes to the Basic Financial Statements.

CITY OF SEDONA, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General	Streets	Transportation Sales Tax	Capital Improvements	Nonmajor Funds	Total Governmental Funds
Revenues						
Taxes						
Sales taxes	\$21,773,478	\$ -	\$ 1,051,718	\$ -	\$ -	\$ 22,825,196
Franchise taxes	822,122	-	-	-	-	822,122
In lieu taxes	474,385	-	-	-	168,701	643,086
Intergovernmental	2,980,841	958,278	-	872,087	124,601	4,935,807
Fines and forfeitures	249,893	-	-	-	-	249,893
Licenses and permits	455,498	-	-	-	-	455,498
Charges for services	768,648	-	-	-	1,460	770,108
Contributions	-	-	-	254,404	36,096	290,500
Impact fees	-	-	-	-	207,076	207,076
Investment earnings (loss)	55,518	2,472	(6,350)	31,769	16,266	99,675
Other	29,271	-	-	10,000	35,818	75,089
Total revenues	<u>27,609,654</u>	<u>960,750</u>	<u>1,045,368</u>	<u>1,168,260</u>	<u>590,018</u>	<u>31,374,050</u>
Expenditures						
Current						
General government	2,616,781	-	-	-	86,928	2,703,709
Public safety	6,790,779	-	-	-	63,268	6,854,047
Public works and streets	2,616,589	1,181,500	552	-	-	3,798,641
Culture and recreation	2,280,370	-	-	-	13,422	2,293,792
Economic development	2,368,755	-	-	-	-	2,368,755
Health and welfare	251,997	-	-	-	-	251,997
Public transportation	188,604	-	-	-	-	188,604
Debt service						
Principal retirement	1,402,919	-	-	-	10,085	1,413,004
Interest and fiscal charges	234,646	-	-	-	129	234,775
Capital outlay	622,736	-	-	4,199,954	388,367	5,211,057
Total expenditures	<u>19,374,176</u>	<u>1,181,500</u>	<u>552</u>	<u>4,199,954</u>	<u>562,199</u>	<u>25,318,381</u>
Excess (deficiency) of revenues over expenditures	8,235,478	(220,750)	1,044,816	(3,031,694)	27,819	6,055,669
Other Financing Sources (Uses)						
Transfers in	-	35,389	-	5,412,787	223,973	5,672,149
Transfers out	(9,799,314)	-	-	(223,973)	-	(10,023,287)
Issuance of capital lease	268,509	-	-	-	-	268,509
Proceeds from sale of assets	18,182	-	-	-	-	18,182
Total other financing sources (uses)	<u>(9,512,623)</u>	<u>35,389</u>	<u>-</u>	<u>5,188,814</u>	<u>223,973</u>	<u>(4,064,447)</u>
Net change in fund balances	(1,277,145)	(185,361)	1,044,816	2,157,120	251,792	1,991,222
Fund balances - beginning of year	11,028,522	735,103	-	12,717,880	2,983,818	27,465,323
Fund balances - end of year	<u>\$ 9,751,377</u>	<u>\$ 549,742</u>	<u>\$ 1,044,816</u>	<u>\$ 14,875,000</u>	<u>\$ 3,235,610</u>	<u>\$ 29,456,545</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
FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Total Governmental Funds \$ 1,991,222

Amounts reported for governmental activities in the statement of activities are different because:

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	5,079,814
Less: Current year depreciation	(2,212,475)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position. 80,000

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 governmental funds.

Unavailable revenue - June 30, 2017	(863,790)
Unavailable revenue - June 30, 2018	506,806

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	1,235,000
Issuance of capital lease	(268,509)
Correction of installment purchase	(14,563)
Amortization on deferred amount on refunding	(73,878)
Principal payments on installment purchase	3,618
Principal payments on capital lease	174,386

Governmental funds report City pension/OPEB contributions as expenditures when made. However, in the Statement of Activities, pension/OPEB 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/OPEB Expense	(1,573,141)
Pension/OPEB Contributions	1,308,341

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.

Decrease in Claims and Judgments Payable	184,370
Increase in Compensated Absences	(42,289)

The internal service fund is used by management to charge the costs of information technology activities to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. (43,361)

Change in net position - governmental activities \$ 5,471,551

See accompanying Notes to the Basic Financial Statements.

CITY OF SEDONA, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Sales taxes	\$21,201,000	\$21,201,000	\$21,773,478	\$ 572,478
Franchise taxes	759,400	759,400	822,122	62,722
In lieu taxes	445,400	445,400	474,385	28,985
Intergovernmental	2,917,060	2,917,060	2,980,841	63,781
Fines and forfeitures	144,700	144,700	249,893	105,193
Licenses and permits	485,750	485,750	455,498	(30,252)
Charges for services	459,850	459,850	768,648	308,798
Investment earnings	60,310	60,310	55,518	(4,792)
Other	3,450	3,450	29,271	25,821
Total revenues	<u>26,476,920</u>	<u>26,476,920</u>	<u>27,609,654</u>	<u>1,132,734</u>
Expenditures				
City Council	80,275	80,275	66,602	13,673
City Manager	3,138,700	3,089,218	2,965,716	123,502
Human Resources	308,275	316,775	260,124	56,651
Financial Services	961,155	961,155	871,167	89,988
City Attorney	631,360	631,360	540,040	91,320
City Clerk	260,090	261,572	251,368	10,204
Parks and Recreation	651,474	651,474	578,656	72,818
General Services	1,961,058	1,909,634	1,753,065	156,569
Community Development	1,714,400	1,714,400	1,467,687	246,713
Public Works	3,491,105	3,628,283	3,370,677	257,606
Economic Development	184,970	184,970	169,978	14,992
Police	4,808,310	4,844,304	4,762,122	82,182
Municipal Court	533,870	533,870	372,095	161,775
Indirect costs	456,910	456,910	520,823	(63,913)
Contingency	900,000	801,543	-	801,543
Debt service	1,431,310	1,443,794	1,443,622	172
Total expenditures	<u>21,513,262</u>	<u>21,509,537</u>	<u>19,393,742</u>	<u>2,115,795</u>
Excess (deficiency) of revenues over expenditures	4,963,658	4,967,383	8,215,912	3,248,529
Other Financing Sources (Uses)				
Transfers out	(5,290,789)	(5,290,789)	(9,799,314)	(4,508,525)
Sale of capital assets	17,200	17,200	18,182	982
Total other financing sources (uses)	<u>(5,273,589)</u>	<u>(5,273,589)</u>	<u>(9,781,132)</u>	<u>(4,507,543)</u>
Add back equipment replacement reserve	<u>238,050</u>	<u>238,050</u>	<u>288,075</u>	<u>50,025</u>
Net change in fund balance	(71,881)	(68,156)	(1,277,145)	(1,208,989)
Fund balance - beginning of year	<u>10,839,362</u>	<u>10,839,362</u>	<u>11,028,522</u>	<u>189,160</u>
Fund balance - end of year	<u>\$ 10,767,481</u>	<u>\$ 10,771,206</u>	<u>\$ 9,751,377</u>	<u>\$ (1,019,829)</u>

See accompanying Notes to the Basic Financial Statements.

CITY OF SEDONA, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL
STREETS FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental	\$ 858,200	\$ 958,278	\$ 100,078
Contributions	100,000	-	(100,000)
Investment earnings	3,700	2,472	(1,228)
Total revenues	<u>961,900</u>	<u>960,750</u>	<u>(1,150)</u>
Expenditures			
Current			
Public works and streets	1,203,490	1,181,500	21,990
Total expenditures	<u>1,203,490</u>	<u>1,181,500</u>	<u>21,990</u>
Excess (deficiency) of revenues over expenditures	(241,590)	(220,750)	20,840
Other Financing Sources			
Transfers in	<u>35,389</u>	<u>35,389</u>	<u>-</u>
Net change in fund balance	(206,201)	(185,361)	20,840
Fund balance - beginning of year	<u>807,946</u>	<u>753,103</u>	<u>(54,843)</u>
Fund balance - end of year	<u>\$ 601,745</u>	<u>\$ 567,742</u>	<u>\$ (34,003)</u>

See accompanying Notes to the Basic Financial Statements.

CITY OF SEDONA, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL
TRANSPORTATION SALES TAX FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Sales taxes	\$ -	\$ -	\$ 1,051,718	\$ 1,051,718
Investment earnings (loss)	-	-	(6,350)	(6,350)
Total revenues	<u>-</u>	<u>-</u>	<u>1,045,368</u>	<u>1,045,368</u>
Expenditures				
Current				
Public works and streets	-	1,627	552	1,075
Total expenditures	<u>-</u>	<u>1,627</u>	<u>552</u>	<u>1,075</u>
Excess (deficiency) of revenues over expenditures	-	(1,627)	1,044,816	1,046,443
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ (1,627)</u>	<u>\$ 1,044,816</u>	<u>\$ 1,046,443</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF SEDONA, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018**

	Business-Type Activities	Governmental Activities
	Wastewater Enterprise Fund	Internal Service Fund
Assets		
Current assets		
Cash and investments	\$ 20,774,337	\$ 267,449
Restricted assets	14,250	-
Receivables, net of allowance for uncollectibles		
Accounts, net	639,528	-
Accrued interest	38,469	879
Prepaid items	7,836	534
Total current assets	<u>21,474,420</u>	<u>268,862</u>
Noncurrent assets		
Net pension/OPEB asset	3,486	2,184
Capital assets		
Nondepreciable	11,263,580	-
Depreciable (net)	85,485,290	113,562
Total capital assets	<u>96,748,870</u>	<u>113,562</u>
Total noncurrent assets	<u>96,752,356</u>	<u>115,746</u>
Total assets	<u>118,226,776</u>	<u>384,608</u>
Deferred outflows of resources		
Deferred outflows related to pensions/OPEB	196,238	109,963
Deferred charge on debt refunding	143,903	-
Total deferred outflows of resources	<u>340,141</u>	<u>109,963</u>
Liabilities		
Current liabilities		
Accounts payable	622,770	66,243
Accrued wages and benefits	21,055	9,518
Interest payable	240,368	-
Matured debt principal payable	3,920,000	-
Compensated absences payable, current	53,108	21,782
Bonds payable, current	4,000,000	-
Deposits payable	14,250	-
Unearned revenue	678,014	-
Total current liabilities	<u>9,549,565</u>	<u>97,543</u>
Noncurrent liabilities		
Compensated absences payable	11,368	14,696
Bonds payable	15,388,665	-
Capital appreciation bond interest	11,259,315	-
Net pension/OPEB liability	992,824	621,940
Total noncurrent liabilities	<u>27,652,172</u>	<u>636,636</u>
Total liabilities	<u>37,201,737</u>	<u>734,179</u>
Deferred inflows related to pensions/OPEB	63,595	39,838
Net position (deficit)		
Net investment in capital assets	73,584,108	113,562
Restricted for net pension/OPEB asset	3,486	2,184
Unrestricted (deficit)	7,713,991	(395,192)
Total net position (deficit)	<u>81,301,585</u>	<u>\$ (279,446)</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund	<u>(3,844)</u>	
Net position of business-type activities (page 31)	<u>\$ 81,297,741</u>	

See accompanying Notes to the Basic Financial Statements.

CITY OF SEDONA, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Wastewater Enterprise Fund</u>	<u>Internal Service Fund</u>
Operating Revenues		
Charges for services	\$ 6,179,520	\$ 1,706,186
Other	11,040	-
Total operating revenues	<u>6,190,560</u>	<u>1,706,186</u>
Operating Expenses		
Salaries and employee benefits	1,212,269	681,876
Supplies and other	2,585,950	1,001,482
Depreciation	2,853,723	69,672
Total operating expenses	<u>6,651,942</u>	<u>1,753,030</u>
Operating income (loss)	(461,382)	(46,844)
Nonoperating Revenues (Expenses)		
Investment earnings	100,891	(361)
Other non-operating revenue	381,450	-
Interest expense	(1,304,553)	-
Total nonoperating revenues (expenses)	<u>(822,212)</u>	<u>(361)</u>
Income before capital contributions and transfers	(1,283,594)	(47,205)
Capital contributions - capacity fees	523,013	-
Transfers in	4,351,138	-
Transfers out	-	(232,241)
Change in net position (a)	3,590,557	(279,446)
Net position - beginning of year, as restated	<u>77,711,028</u>	<u>-</u>
Net position - end of year	<u>\$ 81,301,585</u>	<u>\$ (279,446)</u>
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise fund	<u>(3,844)</u>	
Change in net position of business-type activities (a) - (b) (page 32)	<u>\$ 3,586,713</u>	

See accompanying Notes to the Basic Financial Statements.

**CITY OF SEDONA, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Business-Type Activities	Governmental Activities
	Wastewater Enterprise Fund	Internal Service Fund
Cash flows from operating activities		
Receipts from customers	\$ 6,005,231	\$ -
Receipts from other funds for goods and services provided	33,999	1,706,186
Receipt of customer deposits	9,138	-
Payments to suppliers and service providers	(1,442,496)	(596,685)
Payments for employee wages and benefits	(1,245,786)	(468,181)
Payments to other funds for services provided	(801,192)	(339,088)
Return of customer deposits	(18,250)	-
Net cash provided by (used for) operating activities	<u>2,540,644</u>	<u>302,232</u>
Cash flows from noncapital financing activities		
Transfers from other funds	4,351,138	-
Settlements received	381,450	-
Net cash provided by (used for) noncapital financing activities	<u>4,732,588</u>	<u>-</u>
Cash flows from capital and related financing activities		
Capacity fees	523,013	-
Acquisition and construction of capital assets	(1,536,963)	(33,543)
Principal paid on capital debt	(4,565,300)	-
Interest paid on capital debt	(535,051)	-
Return of securities held in lieu of retainage	(154,945)	-
Net cash provided by (used for) capital and related financing activities	<u>(6,269,246)</u>	<u>(33,543)</u>
Cash flows from investing activities		
Interest on investments	62,422	(1,240)
Net change in cash and cash equivalents	1,066,408	267,449
Cash and cash equivalents - beginning of year (including \$178,307 for the Wastewater Fund reported in restricted accounts)	19,722,179	-
Cash and cash equivalents - end of year (including \$14,250 for the Wastewater Fund reported in restricted accounts)	<u>\$ 20,788,587</u>	<u>\$ 267,449</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities		
Operating income (loss)	\$ (461,382)	\$ (46,844)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation expense	2,853,723	69,672
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable, net	(18,111)	-
Prepaid items	(7,586)	(534)
Net pension/OPEB asset	(3,486)	(2,184)
Deferred outflows of resources related to pensions/OPEB	32,518	7,124
Accounts payable	349,848	66,243
Accrued wages and benefits	1,315	9,518
Deposits	(9,112)	-
Unearned revenue	(133,219)	-
Compensated absences	(10,703)	36,478
Net pension/OPEB liability	3,637	176,856
Deferred inflows of resources related to pensions/OPEB	(56,798)	(14,097)
Net cash provided by (used for) operating activities	<u>\$ 2,540,644</u>	<u>\$ 302,232</u>
Noncash investing, capital, and noncapital financing activities		
Amortization of bond premiums	\$ (86,083)	\$ -
Amortization of deferred amounts on refunding	17,989	-
Amortization of capital appreciation bonds	883,240	-

See accompanying Notes to the Basic Financial Statements.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies

The financial statements of the City of Sedona, Arizona have been prepared in conformity with generally accepted 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.

For the year ended June 30, 2018, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB.

For the year ended June 30, 2018, the City early implemented the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. GASB Statement No. 89 established accounting requirements for interest cost incurred before the end of a construction period, requiring that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

A. Reporting entity

The City was incorporated on January 4, 1998, 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 no discretely presented component units.

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.

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.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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 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.

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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

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).

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 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 *Transportation Sales Tax Fund* accounts for the half cent sales tax dedicated to transportation projects and related administrative and operational costs. The tax is in effect for 10 years.

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

The City reports the following major enterprise funds:

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

The City also reports the following fund type:

The internal service fund accounts for information technology services provided to the City's departments on a cost-reimbursement basis.

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

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.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments (Continued)

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.

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.

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 acquisition 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 prior to July 1, 2017. The City early implemented GASB 89 and no longer records interest incurred during the construction phase of business-type activities capital assets as part of the capitalized asset value. 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	6 to 50 Years
Machinery, Equipment and Vehicles	3 to 6 Years

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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, other postemployment benefits (OPEB), 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.

Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2018, the City paid for compensated absences as follows: 84% from the General Fund, 12% from major funds, and 4% from other funds.

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/Other Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans.

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

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, 2018 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.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

10. Deferred Inflows of Resources (Continued)

The City also recognizes the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in the government-wide financial statements. Reported amounts are related to the requirements of accounting and financial reporting for pensions and other postemployment benefits (OPEB).

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.

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 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:

The unassigned fund balance target for the General Fund shall be 30% of the total adopted budgeted operating expenditures of the fund.

The fund balance range for the Streets Fund shall be not less than 0% and not more than 10% of the total budgeted expenditures of the fund.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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)

The budgetary fund balance 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 budgetary fund balance with a target equal to the average of one year of remaining enterprise fund debt service repayment requirements for any debt issuances that do not have specified reserve requirements and are not covered by bond insurance.

The Capital Improvements Fund, coupled with estimated revenues for the ensuing fiscal year, must be sufficient to fund the "pay-as-you-go" capital fund obligations for the next fiscal year. This will follow the City's Capital Improvement Plan.

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.

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 THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 3. 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, 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 \$272,329 and the bank balance was \$283,724. At year-end, the entire \$283,724 of the City’s deposits was covered by federal depository insurance.

Total cash and investments at fair value as reported at June 30, 2018, are as follows:

Deposits		
Cash on hand		\$ 14,310
Cash in bank		272,329
Cash held by paying agent		4,896,418
Investments		
State Treasurer's investment pool		12,915,971
Negotiable certificates of deposit		4,693,000
Money market funds		3,263,753
U.S. agency securities		<u>23,831,233</u>
Total deposits and investments		49,887,014
Restricted assets		<u>(17,250)</u>
Total deposits and investments		<u>\$ 49,869,764</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.

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.

	Amount	Investment maturities (in years)		
		Less than 1	1 - 3	4 - 5
U.S. agency securities	\$23,831,233	\$2,098,111	\$ 8,822,055	\$12,911,067
Money market funds	3,263,753	3,263,753	-	-
Negotiable certificates of deposit	4,693,000	-	2,223,000	2,470,000
State Treasurer's investment pool	12,915,971	3,836,904	9,079,067	-
Total investments	<u>\$44,703,957</u>	<u>\$9,198,768</u>	<u>\$20,124,122</u>	<u>\$15,381,067</u>

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 3. Deposits and Investments (Continued)

Credit Risk – The City limits its investments to the State Treasurer’s Investment Pool, U.S. Agency Securities, and negotiable certificates of deposit. A portion of the investment in the money market funds 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 and Federal Agency Securities. The City’s investment rating based on investment type is shown below:

Investment Type	Rating	Rating Agency	Fair Value
U.S. Agency Securities	AA+	Moody's	\$ 23,831,233
Money Market Funds	AAm	S&P	3,263,753
Negotiable Certificates of Deposit	N/R	N/R	4,693,000
State Treasurer's Investment Pool 5	AAAf/S1+	S&P	3,053,856
State Treasurer's Investment Pool 7	N/R	N/R	783,048
State Treasurer's Investment Pool 500	N/R	N/R	<u>9,079,067</u>
			<u>\$ 44,703,957</u>

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:

	Amount	Percent of City Investments
U.S. agency securities	\$ 23,831,233	53.31%
Money market funds	3,263,753	7.30%
Negotiable certificates of deposit	4,693,000	10.50%
State Treasurer's investment pool	<u>12,915,971</u>	<u>28.89%</u>
Total investments	<u>\$ 44,703,957</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 valued using the net asset value (NAV) per share (or its equivalent) are City investments in Arizona State Treasurers Investment Pool (LGIP) and unlike more traditional investments, generally do not have readily obtainable market values. Investments valued at NAV utilized Net Asset Values as provided by State of Arizona Treasurer’s Office at June 30, 2018.

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:

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 3. Deposits and Investments (Continued)

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.

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.

The City's investments were measured as follows at June 30, 2018:

	June 30, 2018	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	\$ 23,831,233	\$ -	\$ 23,831,233	\$ -
Negotiable Certificates of Deposit	<u>4,693,000</u>	<u>-</u>	<u>4,693,000</u>	<u>-</u>
Total investments by fair value level	<u>28,524,233</u>	<u>\$ -</u>	<u>\$ 28,524,233</u>	<u>\$ -</u>
Investments Measured at Net Asset Value				
State Treasurer's Investment Pool	<u>12,915,971</u>			
Total investments measured at fair value	<u>41,440,234</u>			
Investments Measured at Amortized Cost				
Money Market Funds	<u>3,263,753</u>			
Total Investments	<u>\$ 44,703,957</u>			

Note 4. Restricted Cash and Investments

Restricted cash and investments at June 30, 2018 consist of \$17,250 of customer deposits.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 5. 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:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund:		
Court Fines Receivable	\$ 317,553	\$ -
Franchise Fees Receivable	3,450	-
Sales Tax Receivable	14,084	-
Miscellaneous Unavailable Fees	9,219	-
Miscellaneous Unearned Fees	-	7,754
Capital Improvements Fund:		
Miscellaneous Receivable	162,500	-
Nonmajor Governmental Funds:		
Grant advances prior to meeting all eligibility requirements	<u>-</u>	<u>2,411</u>
Governmental funds balance sheet total	<u>\$ 506,806</u>	<u>\$ 10,165</u>

Approximately \$238,165 of the court fines receivable reported in the general fund is not expected to be collected within the next year. Also, based on the payment schedule for the Capital Improvements Fund receivable, \$112,500 of the amount reported is not expected to be collected within the next year.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 6. Capital Assets

A. Governmental Activities

Capital asset activity for governmental activities for the year ended June 30, 2018, was as follows:

	Balance as of June 30, 2017	Additions	Deductions	Balance as of June 30, 2018
Capital Assets, Not Being Depreciated				
Land	\$ 8,790,846	\$ -	\$ -	\$ 8,790,846
Construction in progress	3,985,424	4,568,872	(8,151,499)	402,797
Total capital assets, not being depreciated	<u>12,776,270</u>	<u>4,568,872</u>	<u>(8,151,499)</u>	<u>9,193,643</u>
Capital Assets, Being Depreciated				
Land improvements	8,523,387	562,165	-	9,085,552
Buildings and improvements	8,480,479	142,969	-	8,623,448
Machinery, equipment and vehicles	6,762,109	1,024,832	(3,271,091)	4,515,850
Infrastructure	30,623,931	7,046,004	-	37,669,935
Total capital assets, being depreciated	<u>54,389,906</u>	<u>8,775,970</u>	<u>(3,271,091)</u>	<u>59,894,785</u>
Less Accumulated Depreciation For				
Land improvements	(2,349,054)	(248,629)	-	(2,597,683)
Buildings and improvements	(3,651,649)	(309,659)	-	(3,961,308)
Machinery, equipment and vehicles	(5,629,070)	(591,050)	3,271,091	(2,949,029)
Infrastructure	(14,263,788)	(1,132,809)	-	(15,396,597)
Total accumulated depreciation	<u>(25,893,561)</u>	<u>(2,282,147)</u>	<u>3,271,091</u>	<u>(24,904,617)</u>
Total capital assets, being depreciated, net	<u>28,496,345</u>	<u>6,493,823</u>	<u>-</u>	<u>34,990,168</u>
Governmental activities capital assets, net	<u>\$ 41,272,615</u>	<u>\$ 11,062,695</u>	<u>\$ (8,151,499)</u>	<u>\$ 44,183,811</u>

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 6. Capital Assets (Continued)

B. Business-Type Activities

Capital asset activity for business-type activities for the year ended June 30, 2018, was as follows:

	Balance as of <u>June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance as of <u>June 30, 2018</u>
Capital Assets, Not Being Depreciated				
Land	\$ 11,159,413	\$ -	\$ -	\$ 11,159,413
Construction in progress	<u>5,647,095</u>	<u>1,138,661</u>	<u>(6,681,589)</u>	<u>104,167</u>
Total capital assets, not being depreciated	16,806,508	1,138,661	(6,681,589)	11,263,580
Capital Assets, Being Depreciated				
Land improvements	-	36,755	-	36,755
Wastewater system	119,361,461	6,760,708	-	126,122,169
Machinery, equipment and vehicles	<u>5,258,389</u>	<u>275,978</u>	<u>(154,833)</u>	<u>5,379,534</u>
Total capital assets, being depreciated	124,619,850	7,073,441	(154,833)	131,538,458
Less Accumulated Depreciation For				
Wastewater system	(38,437,158)	(2,688,063)	-	(41,125,221)
Machinery, equipment and vehicles	<u>(4,917,120)</u>	<u>(165,660)</u>	<u>154,833</u>	<u>(4,927,947)</u>
Total accumulated depreciation	(43,354,278)	(2,853,723)	154,833	(46,053,168)
Total capital assets, being depreciated, net	<u>81,265,572</u>	<u>4,219,718</u>	<u>-</u>	<u>85,485,290</u>
Business-type activities capital assets, net	<u>\$ 98,072,080</u>	<u>\$ 5,358,379</u>	<u>\$(6,681,589)</u>	<u>\$ 96,748,870</u>

C. Depreciation Expense

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 274,766
Public safety	290,978
Public works and streets	1,506,190
Culture and recreation	140,541
Internal service fund	<u>69,672</u>
Total governmental activities depreciation expense	<u>\$2,282,147</u>
Business-type Activities:	
Wastewater	<u>\$2,853,723</u>

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 7. Construction Commitments

The City has active construction projects at June 30, 2018. The projects include various park projects, drainage improvements, street, sidewalk, bike lane and signage improvements, facility relocation and renovations, 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:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Governmental activities		
Juniper Hills Drainage Improvements	\$ 65,787	\$ 14,386
Uptown Roadway Improvements	59,704	308,389
Sanborn/Thunder Mountain Road Overlay	32,802	30,874
Court/Attorney Relocation Project	26,495	3,575
Portal Lane/Ranger Road Connection	24,936	1,433
Uptown Wayfinding Improvements	13,463	3,280
Police Department Facility Renovations	2,999	18,000
Bicycle and Pedestrian Improvements	<u>1,488</u>	<u>42,073</u>
Total governmental activities	<u>\$ 227,674</u>	<u>\$ 422,010</u>
Business-type activities		
Mystic Hills/Chapel Lift Station	\$ 73,806	\$ 300,485
Wastewater Administration Building Remodel/Expansion	<u>5,525</u>	<u>6,175</u>
Total business-type activities	<u>\$ 79,331</u>	<u>\$ 306,660</u>

Note 8. Interfund Receivables, Payables, and Transfers

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Transfers To	Transfers From		
	General Fund	Capital Improvements Fund	Totals
Streets Fund	\$ 35,389	\$ -	\$ 35,389
Capital Improvements Fund	5,412,787	-	5,412,787
Nonmajor Governmental Fund	-	223,973	223,973
Wastewater Fund	<u>4,351,138</u>	-	<u>4,351,138</u>
Totals	<u>\$ 9,799,314</u>	<u>\$ 223,973</u>	<u>\$ 10,023,287</u>

The transfer of \$35,389 from the General Fund to the Streets Fund was to support highway and street activity. The transfer of \$5,412,787 from the General Fund to the Capital Improvements Fund was made based on the City's fund balance policy to move excess capacity for capital projects.

The transfer of \$223,973 from the Capital Improvements Fund to the Nonmajor Governmental Funds was made to move \$9,806 (1% of construction costs) to the Art in Public Places Fund, a nonmajor governmental fund, based on City policy; and to move \$214,167 of construction activity to the Development Impact Fees Fund, a nonmajor governmental fund. Lastly, the transfer of \$4,351,138 from the General Fund to the Wastewater Fund is for sales tax collected and transferred to the Wastewater Fund to support operations.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 8. Interfund Receivables, Payables, and Transfers (Continued)

In addition, the City transferred pension/OPEB liabilities of \$445,084, deferred outflows related to pensions/OPEB of \$63,152, and capital assets of \$149,691 for a net transfer out of \$232,241 to set up the Information Technology Internal Service Fund. These items were transferred from other governmental activities. In the government-wide financial statements, the Internal Service Fund is included in governmental activities, and the effect of interfund activity has been eliminated so the transfer out is only presented in the fund financial statements for the Internal Service Fund.

Note 9. Obligations Under Installment Purchase Contracts

The City has acquired holiday decorations under contract agreements at a total purchase price of \$24,032. The assets acquired are as follows:

Governmental Activities:	
Holiday Decorations	\$ 24,032
Less: Accumulated Depreciation	<u>(3,994)</u>
Total	<u>\$ 20,038</u>

Amortization expense on the installment purchases is included in depreciation expense.

Future principal and interest payments due on installment purchases are as follows:

	<u>Governmental Activities</u>
Year Ending June 30, 2019	\$ 11,465
Less: Amount Representing Imputed Interest	<u>(520)</u>
Present value of net minimum payments	<u>\$ 10,945</u>

Note 10. 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 \$706,818 are capitalized as governmental activities.

The assets acquired are as follows:

Governmental Activities:	
Motor Vehicles	\$ 706,818
Less: Accumulated Depreciation	<u>(215,604)</u>
Total	<u>\$ 491,214</u>

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

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

Year Ending June 30,	<u>Governmental Activities</u>
2019	\$ 189,633
2020	189,633
2021	<u>72,315</u>
Total minimum payments	451,581
Less: Amount Representing Interest	<u>(36,468)</u>
Present value of net minimum payments	<u>\$ 415,113</u>

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 11. Bonds Payable

The following is a list of revenue obligation bonds outstanding as of June 30, 2018.

<u>Description</u>	<u>Original Issue Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Governmental Activities:				
Revenue Bonds:				
Excise Tax Revenue Refunding Bonds Series 2007	\$ 8,795,000	4.125%	7/1/19	\$ 745,000
Excise Tax Revenue Refunding Bonds Series 2014	1,879,700	0.66%	7/1/19	390,000
Excise Tax Revenue Refunding Bonds, Second Series 2015	<u>8,030,000</u>	1.94%	7/1/19-27	<u>7,655,000</u>
Total Governmental Activities Revenue Bonds:	18,704,700			8,790,000
Business-type Activities:				
Revenue Bonds				
Excise Tax Revenue Bonds Series 1998	41,035,000	5.2-5.24%	7/1/20-24	6,305,000
Excise Tax Revenue Refunding Bonds, Series 2012	8,395,000	4.5%	7/1/25-26	8,395,000
Excise Tax Revenue Refunding Bonds Series 2015	<u>10,390,000</u>	1.3%	7/1/19	<u>4,000,000</u>
Total Business-type Activities Revenue Bonds	<u>59,820,000</u>			<u>18,700,000</u>
Total Revenue Bonds	<u>\$ 78,524,700</u>			<u>\$ 27,490,000</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 \$27,490,000 in excise tax revenue refunding bonds, plus \$18,989,470 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 \$26,116,973. In the current year, total principal paid was \$5,155,000 and interest paid was \$695,923.

Debt service requirements on bonds payable at June 30, 2018 are as follows:

Year ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,240,000	\$ 181,812	\$ 4,000,000	\$ 429,775
2020	885,000	146,470	1,400,000	3,287,776
2021	900,000	129,301	1,330,000	3,357,776
2022	920,000	111,841	1,255,000	3,432,776
2023	935,000	93,993	1,190,000	3,497,775
2024-2027	<u>3,910,000</u>	<u>191,575</u>	<u>9,525,000</u>	<u>4,128,600</u>
Total	<u>\$ 8,790,000</u>	<u>\$ 854,992</u>	<u>\$ 18,700,000</u>	<u>\$ 18,134,478</u>

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 12. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended June 30, 2018, are as follows:

	July 1, 2017, as restated	Increases	Decreases	June 30, 2018	Due within one year
Governmental Activities					
Bonds Payable					
Revenue bonds	\$ 10,025,000	\$ -	\$ (1,235,000)	\$ 8,790,000	\$ 1,240,000
Other Liabilities					
Compensated absences	458,715	463,843	(385,076)	537,482	359,277
Installment purchases	14,563	-	(3,618)	10,945	10,945
Capital leases	320,990	268,509	(174,386)	415,113	169,032
Net pension/OPEB liability	12,755,512	541,068	-	13,296,580	-
Total other liabilities	<u>13,549,780</u>	<u>1,273,420</u>	<u>(563,080)</u>	<u>14,260,120</u>	<u>539,254</u>
Total governmental activities long-term obligations	<u>\$ 23,574,780</u>	<u>\$ 1,273,420</u>	<u>\$ (1,798,080)</u>	<u>\$ 23,050,120</u>	<u>\$ 1,779,254</u>
Business-type Activities					
Bonds Payable and Related Interest					
Revenue bonds	\$ 22,620,000	\$ -	\$ (3,920,000)	\$ 18,700,000	\$ 4,000,000
Capital appreciation bond interest	10,376,075	883,240	-	11,259,315	-
Premiums	774,748	-	(86,083)	688,665	-
Total bonds payable and related interest	<u>33,770,823</u>	<u>883,240</u>	<u>(4,006,083)</u>	<u>30,647,980</u>	<u>4,000,000</u>
Other Liabilities					
Compensated absences	75,179	44,034	(54,737)	64,476	53,108
Net pension/OPEB liability	993,513	-	(689)	992,824	-
Total other liabilities	<u>1,068,692</u>	<u>44,034</u>	<u>(55,426)</u>	<u>1,057,300</u>	<u>53,108</u>
Total business-type activities long-term obligations	<u>\$ 34,839,515</u>	<u>\$ 927,274</u>	<u>\$ (4,061,509)</u>	<u>\$ 31,705,280</u>	<u>\$ 4,053,108</u>

The July 1, 2017 long-term obligations balances were restated as a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and a correction to the installment purchases balance.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 13. Fund Balance

The following represents the classifications of the City's fund balance for fiscal year ended June 30, 2018:

	General Fund	Streets Fund	Transportation Sales Tax Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Totals
Nonspendable						
Prepaid items	\$ 15,604	\$ -	\$ 1,075	\$ -	\$ 500	\$ 17,179
Restricted						
Streets	-	-	-	-	599,198	599,198
Court improvements	44,154	-	-	-	-	44,154
Criminal case processing	42,437	-	-	-	-	42,437
Police department programs	-	-	-	-	52,058	52,058
Parks capital improvements	-	-	-	-	2,001,302	2,001,302
Flood control	-	-	-	123,124	94,429	217,553
Police capital improvements	-	-	-	-	59,249	59,249
Summit CFD capital improvements	-	-	-	-	292,469	292,469
Fairfield CFD capital improvements	-	-	-	-	30,998	30,998
Committed						
Affordable housing	286,156	-	-	-	-	286,156
Court enhancements	142,811	-	-	-	-	142,811
Tourism management and development	272,946	-	-	-	-	272,946
Military Park	-	-	-	-	9,774	9,774
Transportation projects	-	-	1,043,741	-	-	1,043,741
Art in public places	-	-	-	-	94,397	94,397
Assigned						
Debt service	800,000	-	-	-	-	800,000
Budget carryovers	463,400	-	-	-	-	463,400
Streets	-	549,742	-	-	-	549,742
Capital improvements	-	-	-	14,751,876	-	14,751,876
Equipment replacement	288,075	-	-	-	-	288,075
Uptown improvements	480,699	-	-	-	-	480,699
Anti-Work Task Force	-	-	-	-	2,255	2,255
Special events	-	-	-	-	987	987
Park benches	-	-	-	-	954	954
Police Explorers program	-	-	-	-	3,739	3,739
Police department programs	-	-	-	-	6,089	6,089
Recreation programs	-	-	-	-	1,001	1,001
Playground equipment	-	-	-	-	17,457	17,457
Unassigned	6,915,095	-	-	-	(31,246)	6,883,849
Totals	<u>\$9,751,377</u>	<u>\$549,742</u>	<u>\$ 1,044,816</u>	<u>\$ 14,875,000</u>	<u>\$ 3,235,610</u>	<u>\$29,456,545</u>

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 14. 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; injuries to employees; 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.

Note 15. Retirement 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.

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

	Governmental activities	Business-type activities	Total
Statement of net position and statement of activities			
Net pension and OPEB asset	\$ 152,008	\$ 3,486	\$ 155,494
Net pension and OPEB liability	13,296,580	992,824	14,289,404
Deferred outflows of resources related to pensions and OPEB	3,222,011	196,238	3,418,249
Deferred inflows of resources related to pensions and OPEB	864,232	63,595	927,827
Pension and OPEB expense	1,625,884	84,195	1,710,079

The City's accrued payroll and employee benefits includes \$24,719 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2018. Also, the City reported \$1,243,010 of pension and OPEB contributions as expenditures in the governmental funds and \$80,129 of pension and OPEB contributions as expenses in the enterprise fund and \$37,228 of pension and OPEB contributions as expenses in the internal service fund related to all plans to which it contributes.

**CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 15. Retirement Plans (Continued)

A. 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 follows:

	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 percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* with actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. 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 retirement benefit option chosen determines the survivor benefit. 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.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 15. Retirement Plans (Continued)

A. Arizona State Retirement System (Continued)

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, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.5 percent (11.34 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 11.5 percent (10.9 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent 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 9.49 percent (9.26 percent for retirement, 0.1 percent for health insurance premium benefit, and 0.13 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the ASRS would typically fill. The City's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2018, were \$664,293, \$26,816, and \$9,751, respectively.

During fiscal year 2018, the City paid for ASRS pension and OPEB contributions as follows: 79.7 percent from the general fund, 14.4 percent from major funds, and 5.9 percent from other funds.

Liability - At June 30, 2018, the City reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

		Net pension/OPEB (asset) liability
Pension	\$	9,108,486
Health insurance premium benefit		(32,060)
Long-term disability		21,209

The net asset and net liabilities were measured as of June 30, 2017. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

The City's proportion of the net asset or net liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The City's proportions measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

	Proportion <u>June 30, 2017</u>	Increase/(Decrease) from June 30, <u>2016</u>
Pension	0.05847 %	0.00377 %
Health insurance premium benefit	0.05889 %	N/A
Long-term disability	0.05851 %	N/A

The net asset and net liabilities measured as of June 30, 2018, 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 asset and net liabilities as a result of these changes is not known.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 15. Retirement Plans (Continued)

A. Arizona State Retirement System (Continued)

Expense - For the year ended June 30, 2018, the City recognized the following pension and OPEB expense.

	<u>Pension/OPEB expense</u>
Pension	\$744,168
Health insurance premium benefit	18,751
Long-term disability	11,315

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

	<u>Pension</u>		<u>Health insurance premium benefit</u>		<u>Long-term disability</u>	
	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between expected and actual experience	\$ -	\$ 273,123	\$ -	\$ -	\$ -	\$ -
Changes of assumptions or other inputs	395,602	272,360	-	-	-	-
Net difference between projected and actual earnings on plan investments	65,393	-	-	36,098	-	3,173
Changes in proportion and differences between City contributions and proportionate share of contributions	606,704	-	-	38	-	1
City contributions subsequent to the measurement date	<u>664,292</u>	<u>-</u>	<u>26,816</u>	<u>-</u>	<u>9,751</u>	<u>-</u>
Total	<u>\$ 1,731,991</u>	<u>\$ 545,483</u>	<u>\$ 26,816</u>	<u>\$ 36,136</u>	<u>\$ 9,751</u>	<u>\$ 3,174</u>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

	<u>Pension</u>	<u>Health insurance premium benefit</u>	<u>Long-term disability</u>
Year ending June 30			
2019	\$ (16,752)	\$ (9,032)	\$ (794)
2020	598,633	(9,032)	(794)
2021	149,858	(9,032)	(793)
2022	(209,523)	(9,032)	(793)
2023	\$ -	\$ (8)	\$ -

**CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 15. Retirement Plans (Continued)

A. Arizona State Retirement System (Continued)

Actuarial assumptions - The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

ASRS

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75% for pensions/not applicable for OPEB
Inflation	3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	1994 GAM Scale BB
Healthcare cost trend rate	Not applicable

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

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

Asset class	<u>Target Allocation</u>	<u>Long-term expected arithmetic real rate of return</u>
Equity	58 %	6.73%
Fixed income	25 %	3.70%
Real estate	10 %	4.25%
Multi-asset	5 %	3.41%
Commodities	2 %	3.84%
	<u>100 %</u>	

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

**CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 15. Retirement Plans (Continued)

A. Arizona State Retirement System (Continued)

Sensitivity of the City's proportionate share of the ASRS net pension/OPEB (asset) liability to changes in the discount rate - The following table presents the City's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 8 percent, as well as what the City's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	<u>1% Decrease (7%)</u>	<u>Current discount rate (8%)</u>	<u>1% Increase (9%)</u>
City's Proportionate share of the			
Net pension liability	\$ 11,690,900	\$ 9,108,486	\$ 6,950,658
Net insurance premium benefit liability (asset)	53,242	(32,060)	(104,552)
Net long-term disability liability	25,360	21,209	17,689

Plan fiduciary net position - Detailed information about the plans' fiduciary net position is available in the separately issued ASRS financial report.

B. Public Safety Personnel Retirement System

Plan descriptions - City police employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. 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. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool). As of June 30, 2018, the City has no PSPRS members participating in the Tier 3 Risk Pool.

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPRS plans. The report is available on the PSPRS website at www.psprs.com.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 15. Retirement Plans (Continued)

B. Public Safety Personnel Retirement System (Continued)

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

	Initial membership date:	
	<u>Before January 1, 2012</u>	<u>On or After January 1, 2012 and before July 1, 2017</u>
Retirement and disability		
Years of service and age required to receive benefit	20 years of service, any age	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	15 years of service, age 62 Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited services, 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	
Survivor benefit		
Retired members	80% to 100% of retired member's pension benefit	
Active members	80% to 100% of accidental disability retirement benefit, or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments. The adjustments are based on inflation. 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 percent of the member's compensation for up to 12 months.

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

**CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 15. Retirement Plans (Continued)

B. Public Safety Personnel Retirement System (Continued)

Employees covered by benefit terms - At June 30, 2017, the following employees were covered by the agent plans' benefit terms:

	PSPRS Police	
	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	11	11
Inactive employees entitled to but not yet receiving benefits	7	-
Active employees	<u>26</u>	<u>26</u>
Total	<u><u>44</u></u>	<u><u>37</u></u>

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

	Active member - pension	City - pension	City - health insurance premium benefit
PSPRS Police	7.65%-11.65%	33.97 %	0.00 %
PSPRS Tier 3 Risk Pool	9.94 %	9.68 %	0.26 %

In addition, statute required the City to contribute at the actuarially determined rate indicated below 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.

	Pension	Health Insurance premium benefit
PSPRS Police	19.41 %	0.00 %

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

	Pension	Health insurance premium benefit
PSPRS Police	\$ 659,507	\$ -
PSPRS Tier 3 Risk Pool	-	-

**CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 15. Retirement Plans (Continued)

B. Public Safety Personnel Retirement System (Continued)

During fiscal year 2018, the City paid for PSPRS pension and OPEB contributions 100 percent from the general fund.

Liability - At June 30, 2018, the City reported the following assets and liabilities.

	Net Pension (asset) liability	Net OPEB (asset) liability
PSPRS Police	\$ 5,159,709	\$ (123,434)

The net assets and net liabilities were measured as of June 30, 2017, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011.

During the fiscal year 2019 budget process, management recommended paying down the unfunded liability using a level-payment approach, resulting in annual payments of approximately \$1 million over the remaining 19-year unfunded liability amortization period. The City Council approved an additional contribution of approximately \$366,000 over the actuarially required contribution amount for fiscal year 2019.

Actuarial assumptions - The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

PSPRS

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	PR-2014 tables using MP2016 improvement scale with adjustments to match current experience
Healthcare cost trend rate	Not applicable

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

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 15. Retirement Plans (Continued)

B. Public Safety Personnel Retirement System (Continued)

The long-term expected rate of return on PSPRS plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

Discount rate - At June 30, 2017, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.4 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine the discount 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 plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 15. Retirement Plans (Continued)

B. Public Safety Personnel Retirement System (Continued)

Changes in the net pension/OPEB (asset) liability

	Pension increase (decrease)			Health insurance premium benefit increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension (asset) liability (a) - (b)	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB (asset) liability (a) - (b)
Balances at June 30, 2016	\$ 10,683,505	\$ 5,801,678	\$ 4,881,827	\$ 181,565	\$ 264,847	\$ (83,282)
Changes for the year						
Service cost	418,975	-	418,975	6,791	-	6,791
Interest on the total liability	798,874	-	798,874	13,717	-	13,717
Changes of benefit terms	135,940	-	135,940	419	-	419
Differences between expected and actual experience in the measurement of the liability	(31,720)	-	(31,720)	(18,591)	-	(18,591)
Changes of assumptions or other inputs	277,336	-	277,336	(11,785)	-	(11,785)
Contributions - employer	-	444,238	(444,238)	-	-	-
Contributions - employee	-	178,624	(178,624)	-	-	-
Net investment income	-	722,712	(722,712)	-	30,977	(30,977)
Benefit payments, including refunds of employee contributions	(482,678)	(482,678)	-	(4,140)	(4,140)	-
Administrative expense	-	(6,795)	6,795	-	(274)	274
Other changes	-	(17,256)	17,256	-	-	-
Net changes	<u>1,116,727</u>	<u>838,845</u>	<u>277,882</u>	<u>(13,589)</u>	<u>26,563</u>	<u>(40,152)</u>
Balances at June 30, 2017	<u>\$ 11,800,232</u>	<u>\$ 6,640,523</u>	<u>\$ 5,159,709</u>	<u>\$ 167,976</u>	<u>\$ 291,410</u>	<u>\$ (123,434)</u>

Sensitivity of the City's net pension/OPEB (asset) liability to changes in the discount rate - The following table presents the City's net pension/OPEB (assets) liabilities calculated using the discount rate of 7.4 percent, as well as what the City's net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

	Current discount rate		
	1% Decrease (6.4%)	(7.4%)	1% Increase (8.4%)
PSPRS Police			
Net pension (asset) liability	\$ 6,871,820	\$ 5,159,709	\$ 3,772,770
Net OPEB (asset) liability	\$ (100,795)	\$ (123,434)	\$ (142,096)

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

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 15. Retirement Plans (Continued)

B. Public Safety Personnel Retirement System (Continued)

Expense - For the year ended June 30, 2018, the City recognized the following pension and OPEB expense:

	<u>Pension expense</u>	<u>OPEB expense</u>
PSPRS Police	\$ 941,047	\$ (5,202)

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

	<u>Pension</u>		<u>Health Insurance premium benefit</u>	
	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between expected and actual experience	\$ 73,893	\$ 308,084	\$ -	\$ 15,868
Changes of assumptions or other inputs	861,870	-	-	10,059
Net difference between projected and actual earnings on plan investments	54,421	-	-	9,023
City contributions subsequent to the measurement date	<u>659,507</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,649,691</u>	<u>\$ 308,084</u>	<u>\$ -</u>	<u>\$ 34,950</u>

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ending June 30	<u>Pension</u>		<u>Health insurance premium benefit</u>	
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2019	181,311	(6,705)	-	-
2020	234,291	(6,705)	-	-
2021	163,689	(6,705)	-	-
2022	44,003	(6,704)	-	-
2023	58,806	(4,449)	-	-
Thereafter	-	(3,682)	-	-

Note 16. 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, 2018.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 17. 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 capital outlay expenditure. This activity is not included in the City's adopted budget approved by Council.
2. The General Fund as reported in the Budgetary Comparison Schedule includes departmental contributions to an equipment replacement reserve as expenditures.

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.

	<u>Total</u>	<u>Other Financing Sources (Uses)</u>
Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 19,374,176	\$ (9,512,623)
Capital lease proceeds and expenditures included in Statement of Revenues, Expenditures, and Changes in Fund Balances	(268,509)	(268,509)
Equipment replacement reserve charges included for budgetary basis presentation	288,075	-
Budgetary Comparison Schedule - General Fund	<u>\$ 19,393,742</u>	<u>\$ (9,781,132)</u>

Note 18. Prior Period Adjustments

Net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

The table below reflects the restated amounts in the government-wide statement of net position.

	Government-wide Statement of Net Position	
	Governmental Activities	Business-type Activities
Net position at June 30, 2017, as previously reported	\$ 48,714,733	\$ 77,710,966
Prior period adjustments - implementation of GASB 75		
Net OPEB asset as of June 30, 2017	83,282	-
Net OPEB liability as of June 30, 2017	(33,805)	(4,264)
Deferred outflows related to OPEB as of June 30, 2017	35,476	4,326
Net position at June 30, 2017, as restated	<u>\$ 48,799,686</u>	<u>\$ 77,711,028</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/OPEB LIABILITY
COST-SHARING PLANS**

	Reporting fiscal year (measurement date)				
	2018 (2017)	2017 (2016)	2016 2015	2015 2014	2014 through 2009
ASRS-Pension					
City's proportion of the net pension liability	0.058470 %	0.054700 %	0.051940 %	0.050427 %	Information not available
City's proportionate share of the net pension liability	\$ 9,108,486	\$ 8,829,130	\$ 8,090,772	\$ 7,461,507	
City's covered payroll	\$ 5,674,189	\$ 5,180,296	\$ 4,898,994	\$ 4,658,483	
City's proportionate share of the net pension liability as a percentage of its covered payroll	160.52 %	170.44 %	165.15 %	160.17 %	
Plan fiduciary net position as a percentage of the total pension liability	69.92 %	67.06 %	68.35 %	69.49 %	

	Reporting fiscal year (measurement date)	
	2018 (2017)	2017 through 2009
ASRS - Health insurance premium benefit		
City's proportion of the net OPEB liability (asset)	0.05889 %	Information not available
City's proportionate share of the net OPEB liability (asset)	\$ (32,060)	
City's covered payroll	\$ 5,674,189	
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	(0.57)%	
Plan fiduciary net position as a percentage of the total OPEB liability	103.57 %	

	Reporting fiscal year (measurement date)	
	2018 (2017)	2017 through 2009
ASRS - Long-term Disability		
City's proportion of the net OPEB liability	0.05851 %	Information not available
City's proportionate share of the net OPEB liability	\$ 21,209	
City's covered payroll	\$ 5,674,189	
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.37 %	
Plan fiduciary net position as a percentage of the total OPEB liability	84.44 %	

See accompanying notes to pension/OPEB plan schedules.

CITY OF SEDONA, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION/OPEB LIABILITY
AND RELATED RATIOS
AGENT PLANS

	Reporting fiscal year (measurement date)				
	2018 (2017)	2017 (2016)	2016 2015	2015 2014	2014 through 2009
PSPRS Police					
Total pension liability					Information not available
Service cost	\$ 418,975	\$ 292,709	\$ 299,781	\$ 226,906	
Interest on the total pension liability	798,874	710,713	690,996	603,199	
Changes of benefit terms	135,940	485,931	-	141,278	
Differences between expected and actual experience in the measurement of the pension liability	(31,720)	108,055	(309,534)	(285,532)	
Changes of assumptions or other inputs	277,336	411,683	-	872,086	
Benefit payments, including refunds of employee contributions	(482,678)	(465,793)	(387,285)	(564,587)	
Net change in total pension liability	1,116,727	1,543,298	293,958	993,350	
Total pension liability - beginning	<u>10,683,505</u>	<u>9,140,207</u>	<u>8,846,249</u>	<u>7,852,899</u>	
Total pension liability - ending (a)	<u>\$ 11,800,232</u>	<u>\$ 10,683,505</u>	<u>\$ 9,140,207</u>	<u>\$ 8,846,249</u>	
Plan fiduciary net position					
Contributions - employer	\$ 444,238	\$ 483,472	\$ 396,718	\$ 287,018	
Contributions - employee	178,624	182,485	185,850	158,370	
Net investment income	722,712	35,088	193,322	647,862	
Benefit payments, including refunds of employee contributions	(482,678)	(465,793)	(387,285)	(564,587)	
Administrative expense	(6,795)	(5,449)	(5,098)	-	
Other changes	(17,256)	8,784	4,796	(241,967)	
Net change in plan fiduciary net position	838,845	238,587	388,303	286,696	
Plan fiduciary net position - beginning	<u>5,801,678</u>	<u>5,563,091</u>	<u>5,174,788</u>	<u>4,888,092</u>	
Plan fiduciary net position - ending (b)	<u>\$ 6,640,523</u>	<u>\$ 5,801,678</u>	<u>\$ 5,563,091</u>	<u>\$ 5,174,788</u>	
City's net pension liability - ending (a) - (b)	<u>\$ 5,159,709</u>	<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	56.27 %	54.31 %	60.86 %	58.50 %	
Covered payroll	\$ 1,620,810	\$ 1,983,869	\$ 1,881,985	\$ 1,651,848	
City's net pension liability as a percentage of covered payroll	318.34 %	246.08 %	190.07 %	222.26 %	

See accompanying notes to pension/OPEB plan schedules.

**CITY OF SEDONA, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION/OPEB LIABILITY
AND RELATED RATIOS
AGENT PLANS**

(Concluded)

	Reporting fiscal year (measurement date)	
	2018 (2017)	2017 through 2009
PSPRS Health Insurance Premium Benefit		
Total OPEB Liability		
Service cost	\$ 6,791	Information not available
Interest on the total OPEB liability	13,717	
Changes of benefit terms	419	
Differences between expected and actual experience in the measurement of the OPEB liability	(18,591)	
Changes of assumptions or other inputs	(11,785)	
Benefit payments	(4,140)	
Net change in total OPEB liability	(13,589)	
Total OPEB liability - beginning	181,565	
Total OPEB liability - ending (a)	\$ 167,976	
Plan fiduciary net position		
Net investment income	\$ 30,977	
Benefit payments	(4,140)	
Administrative expense	(274)	
Net change in plan fiduciary net position	26,563	
Plan fiduciary net position - beginning	264,847	
Plan fiduciary net position - ending (b)	\$ 291,410	
City's net OPEB (asset) liability - ending (a) - (b)	\$ (123,434)	
Plan fiduciary net position as a percentage of the total OPEB liability	173.48 %	
Covered payroll	\$ 1,620,810	
City's net OPEB (asset) liability as a percentage of covered payroll	(7.62)%	

See accompanying notes to pension/OPEB plan schedules.

**CITY OF SEDONA, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY PENSION/OPEB CONTRIBUTIONS**

	Reporting Fiscal Year					2013 through 2009
	2018	2017	2016	2015	2014	
ASRS - Pension						
Statutorily required contribution	\$ 664,293	\$ 612,991	\$ 570,333	\$ 520,998	\$ 509,997	Information not available
City's contributions in relation to the statutorily required contribution	<u>664,293</u>	<u>612,991</u>	<u>570,333</u>	<u>520,998</u>	<u>509,997</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 6,083,565	\$ 5,674,189	\$ 5,180,296	\$ 4,898,994	\$ 4,658,483	
City's contributions as a percentage of covered payroll	10.92 %	10.80 %	11.01 %	10.63 %	10.95 %	

	Reporting Fiscal Year		
	2018	2017	2016 through 2009
ASRS - Health insurance premium benefit			
Statutorily required contribution	\$ 26,816	\$ 31,844	Information not available
City's contributions in relation to the statutorily required contribution	<u>26,816</u>	<u>31,844</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 6,083,569	\$ 5,674,189	
City's contributions as a percentage of covered payroll	0.44 %	0.56 %	

	Reporting Fiscal Year		
	2018	2017	2016 through 2009
ASRS - Long-term disability			
Statutorily required contribution	\$ 9,751	\$ 7,961	Information not available
City's contributions in relation to the statutorily required contribution	<u>9,751</u>	<u>7,961</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 6,083,565	\$ 5,674,189	
City's contributions as a percentage of covered payroll	0.16 %	0.14 %	

See accompanying notes to pension/OPEB plan schedules.

**CITY OF SEDONA, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY PENSION/OPEB CONTRIBUTIONS**

(Concluded)

	Reporting Fiscal Year					2013 through 2009
	2018	2017	2016	2015	2014	
PSPRS - Police						
Actuarially determined contribution	\$ 607,984	\$ 431,195	\$ 431,873	\$ 293,040	\$ 287,018	Information not available
City's contributions in relation to the actuarially determined contribution	<u>659,507</u>	<u>504,595</u>	<u>431,873</u>	<u>293,040</u>	<u>287,018</u>	
City's contribution deficiency (excess)	<u>\$ (51,523)</u>	<u>\$ (73,400)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 1,816,663	\$ 1,620,810	\$ 1,983,869	\$ 1,881,985	\$ 1,651,848	
City's contributions as a percentage of covered payroll	36.30 %	26.60 %	21.77 %	15.57 %	17.38 %	

	Reporting Fiscal Year		
	2018	2017	2016 through 2009
PSPRS Health Insurance Premium Benefit			
Actuarially determined contribution	\$ -	\$ -	Information not available
City's contributions in relation to the actuarially determined contribution	<u>-</u>	<u>-</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 1,816,663	\$ 1,620,810	
City's contributions as a percentage of covered payroll	- %	- %	

See accompanying notes to pension/OPEB plan schedules.

**CITY OF SEDONA, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO PENSION/OPEB PLAN SCHEDULES
 JUNE 30, 2018**

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 method	Level percent-of-pay, closed
Remaining amortization period as of the 2016 actuarial valuation	20 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions:	
Investment rate of return	In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. 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%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5%.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
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 rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Note 2 Factors that affect trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Grants & 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, 2018**

	Special	Capital Projects Funds				Total
	Revenue Fund	Summit II CFD	Fairfield CFD	Art in Public Places	Development Impact Fees	Nonmajor Governmental Funds
Assets						
Cash and investments	\$ 87,218	\$ 290,314	\$ 30,045	\$ 94,088	\$ 2,729,388	\$ 3,231,053
Receivables, net of allowance for uncollectibles						
Taxes	-	1,201	29,961	-	-	31,162
Accrued interest	323	954	99	309	9,043	10,728
Due from other government units	12,263	-	-	-	-	12,263
Prepaid items	500	-	-	-	-	500
Total assets	<u>\$ 100,304</u>	<u>\$ 292,469</u>	<u>\$ 60,105</u>	<u>\$ 94,397</u>	<u>\$ 2,738,431</u>	<u>\$ 3,285,706</u>
Liabilities						
Accounts payable	\$ 3,079	\$ -	\$ 29,019	\$ -	\$ 5,350	\$ 37,448
Accrued wages and benefits	-	-	88	-	-	88
Interest payable	-	-	-	-	64	64
Matured debt principal payable	-	-	-	-	10,085	10,085
Unearned revenue	2,411	-	-	-	-	2,411
Total liabilities	<u>5,490</u>	<u>-</u>	<u>29,107</u>	<u>-</u>	<u>15,499</u>	<u>50,096</u>
Fund Balances (Deficits)						
Nonspendable	500	-	-	-	-	500
Restricted	52,058	292,469	30,998	-	2,754,178	3,129,703
Committed	9,774	-	-	94,397	-	104,171
Assigned	32,482	-	-	-	-	32,482
Unassigned	-	-	-	-	(31,246)	(31,246)
Total fund balances (deficits)	<u>94,814</u>	<u>292,469</u>	<u>30,998</u>	<u>94,397</u>	<u>2,722,932</u>	<u>3,235,610</u>
Total liabilities and fund balances (deficits)	<u>\$ 100,304</u>	<u>\$ 292,469</u>	<u>\$ 60,105</u>	<u>\$ 94,397</u>	<u>\$ 2,738,431</u>	<u>\$ 3,285,706</u>

CITY OF SEDONA, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special	Capital Projects Funds			Total	
	Revenue Fund	Summit II	Fairfield	Art in Public	Nonmajor	
	Grants & Donations	CFD	CFD	Places	Governmental Funds	
Revenues						
In lieu taxes	\$ -	\$ 48,599	\$ 120,102	\$ -	\$ -	\$ 168,701
Intergovernmental	124,601	-	-	-	-	124,601
Charges for services	1,460	-	-	-	-	1,460
Contributions	36,096	-	-	-	-	36,096
Impact fees	-	-	-	-	207,076	207,076
Investment earnings	340	311	405	98	15,112	16,266
Other	2,957	-	-	-	32,861	35,818
Total revenues	<u>165,454</u>	<u>48,910</u>	<u>120,507</u>	<u>98</u>	<u>255,049</u>	<u>590,018</u>
Expenditures						
Current						
General government	86,928	-	-	-	-	86,928
Public safety	63,268	-	-	-	-	63,268
Culture and recreation	13,422	-	-	-	-	13,422
Debt service						
Principal retirement	-	-	-	-	10,085	10,085
Interest and fiscal charges	-	-	-	-	129	129
Capital outlay	23,748	-	90,207	-	274,412	388,367
Total expenditures	<u>187,366</u>	<u>-</u>	<u>90,207</u>	<u>-</u>	<u>284,626</u>	<u>562,199</u>
Excess (deficiency) of revenues over expenditures	(21,912)	48,910	30,300	98	(29,577)	27,819
Other Financing Sources						
Transfers in	-	-	-	9,806	214,167	223,973
Net change in fund balances	(21,912)	48,910	30,300	9,904	184,590	251,792
Fund balances - beginning of year	<u>116,726</u>	<u>243,559</u>	<u>698</u>	<u>84,493</u>	<u>2,538,342</u>	<u>2,983,818</u>
Fund balances - end of year	<u>\$ 94,814</u>	<u>\$ 292,469</u>	<u>\$ 30,998</u>	<u>\$ 94,397</u>	<u>\$ 2,722,932</u>	<u>\$ 3,235,610</u>

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL IMPROVEMENTS FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,067,657	\$ 1,067,657	\$ 872,087	\$ (195,570)
Contributions	175,000	175,000	254,404	79,404
Investment earnings	29,200	29,200	31,769	2,569
Other	-	-	10,000	10,000
Total revenues	<u>1,271,857</u>	<u>1,271,857</u>	<u>1,168,260</u>	<u>(103,597)</u>
Expenditures				
Capital outlay	7,426,669	7,244,767	4,199,954	3,044,813
Total expenditures	<u>7,426,669</u>	<u>7,244,767</u>	<u>4,199,954</u>	<u>3,044,813</u>
Excess (deficiency) of revenues over expenditures	(6,154,812)	(5,972,910)	(3,031,694)	2,941,216
Other Financing Sources (Uses)				
Transfers in	1,089,500	1,089,500	5,412,787	4,323,287
Transfers out	<u>(26,378)</u>	<u>(26,378)</u>	<u>(223,973)</u>	<u>(197,595)</u>
Total other financing sources (uses)	<u>1,063,122</u>	<u>1,063,122</u>	<u>5,188,814</u>	<u>4,125,692</u>
Net change in fund balance	(5,091,690)	(4,909,788)	2,157,120	7,066,908
Fund balance - beginning of year	<u>11,473,400</u>	<u>11,473,400</u>	<u>12,717,880</u>	<u>1,244,480</u>
Fund balance - end of year	<u><u>\$ 6,381,710</u></u>	<u><u>\$ 6,563,612</u></u>	<u><u>\$ 14,875,000</u></u>	<u><u>\$ 8,311,388</u></u>

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GRANTS & DONATIONS FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 388,600	\$ 388,600	\$ 124,601	\$ (263,999)
Charges for services	5,500	5,500	1,460	(4,040)
Contributions	69,100	69,100	36,096	(33,004)
Investment earnings	-	-	340	340
Other	-	-	2,957	2,957
Total revenues	<u>463,200</u>	<u>463,200</u>	<u>165,454</u>	<u>(297,746)</u>
Expenditures				
Current				
General government	300,000	247,453	86,928	160,525
Public safety	21,350	70,295	63,268	7,027
Culture and recreation	52,500	56,102	13,422	42,680
Capital outlay	<u>95,000</u>	<u>95,000</u>	<u>23,748</u>	<u>71,252</u>
Total expenditures	<u>468,850</u>	<u>468,850</u>	<u>187,366</u>	<u>281,484</u>
Excess (deficiency) of revenues over expenditures	(5,650)	(5,650)	(21,912)	(16,262)
Fund balance - beginning of year	<u>93,730</u>	<u>93,730</u>	<u>116,726</u>	<u>22,996</u>
Fund balance - end of year	<u>\$ 88,080</u>	<u>\$ 88,080</u>	<u>\$ 94,814</u>	<u>\$ 6,734</u>

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SUMMIT II COMMUNITY FACILITIES DISTRICT FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
In lieu taxes	\$ 61,400	\$ 48,599	\$ (12,801)
Investment earnings	1,200	311	(889)
Total revenues	<u>62,600</u>	<u>48,910</u>	<u>(13,690)</u>
Expenditures			
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	62,600	48,910	(13,690)
Fund balance - beginning of year	<u>-</u>	<u>243,559</u>	<u>243,559</u>
Fund balance - end of year	<u>\$ 62,600</u>	<u>\$ 292,469</u>	<u>\$ 229,869</u>

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FAIRFIELD COMMUNITY FACILITIES DISTRICT FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
In lieu taxes	\$ 120,800	\$ 120,102	\$ (698)
Investment earnings	4,750	405	(4,345)
Total revenues	<u>125,550</u>	<u>120,507</u>	<u>(5,043)</u>
Expenditures			
Capital outlay	120,175	90,207	29,968
Total expenditures	<u>120,175</u>	<u>90,207</u>	<u>29,968</u>
Excess (deficiency) of revenues over expenditures	5,375	30,300	24,925
Fund balance - beginning of year	<u>-</u>	<u>698</u>	<u>698</u>
Fund balance - end of year	<u>\$ 5,375</u>	<u>\$ 30,998</u>	<u>\$ 25,623</u>

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
ART IN PUBLIC PLACES FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Investment earnings	\$ 230	\$ 98	\$ (132)
Total revenues	<u>230</u>	<u>98</u>	<u>(132)</u>
Expenditures			
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	230	98	(132)
Other Financing Sources (Uses)			
Transfers in	<u>26,378</u>	<u>9,806</u>	<u>(16,572)</u>
Net change in fund balance	26,608	9,904	(16,704)
Fund balance - beginning of year	<u>80,420</u>	<u>84,493</u>	<u>4,073</u>
Fund balance - end of year	<u>\$ 107,028</u>	<u>\$ 94,397</u>	<u>\$ (12,631)</u>

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DEVELOPMENT IMPACT FEES FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Impact fees	\$ 213,880	\$ 213,880	\$ 207,076	\$ (6,804)
Investment earnings	11,340	11,340	15,112	3,772
Other	-	-	32,861	32,861
Total revenues	<u>225,220</u>	<u>225,220</u>	<u>255,049</u>	<u>29,829</u>
Expenditures				
Debt service				
Principal retirement	22,410	10,084	10,085	(1)
Interest and fiscal charges	290	132	129	3
Capital outlay	<u>1,429,600</u>	<u>1,657,526</u>	<u>274,412</u>	<u>1,383,114</u>
Total expenditures	<u>1,452,300</u>	<u>1,667,742</u>	<u>284,626</u>	<u>1,383,116</u>
Excess (deficiency) of revenues over expenditures	(1,227,080)	(1,442,522)	(29,577)	1,412,945
Other Financing Sources (Uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>214,167</u>	<u>214,167</u>
Net change in fund balance	(1,227,080)	(1,442,522)	184,590	1,627,112
Fund balance - beginning of year	<u>2,284,384</u>	<u>2,284,384</u>	<u>2,538,342</u>	<u>253,958</u>
Fund balance - end of year	<u>\$ 1,057,304</u>	<u>\$ 841,862</u>	<u>\$ 2,722,932</u>	<u>\$ 1,881,070</u>

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
WASTEWATER FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 6,239,000	\$ 6,239,000	\$ 6,179,520	\$ (59,480)
Capacity fees	403,100	403,100	523,013	119,913
Investment earnings	78,700	78,700	100,891	22,191
Other	2,750	2,750	392,490	389,740
Total revenues	<u>6,723,550</u>	<u>6,723,550</u>	<u>7,195,914</u>	<u>472,364</u>
Expenditures				
Salaries and employee benefits	1,320,920	1,277,920	1,247,101	30,819
Supplies and other	3,173,286	3,075,968	2,585,950	490,018
Capital outlay	5,369,050	5,566,368	1,530,513	4,035,855
Debt service	4,409,735	4,409,735	4,409,407	328
Contingency	100,000	-	-	-
Addition to equipment replacement reserve	176,100	176,100	151,691	24,409
Total expenditures	<u>14,549,091</u>	<u>14,506,091</u>	<u>9,924,662</u>	<u>4,581,429</u>
Excess (deficiency) of revenues over expenditures	(7,825,541)	(7,782,541)	(2,728,748)	5,053,793
Other Financing Sources				
Transfers in	4,165,900	4,165,900	4,351,138	185,238
Add back equipment replacement reserve	<u>176,100</u>	<u>176,100</u>	<u>151,691</u>	<u>(24,409)</u>
Net change in fund balance	(3,483,541)	(3,440,541)	1,774,081	5,214,622
Fund balance - beginning of year	<u>14,792,117</u>	<u>14,792,117</u>	<u>14,203,882</u>	<u>(588,235)</u>
Fund balance - end of year	<u>\$ 11,308,576</u>	<u>\$ 11,351,576</u>	<u>\$ 15,977,963</u>	<u>\$ 4,626,387</u>

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

Net Position, end of year, budgetary basis:	\$ 15,977,963
Adjustments to reconcile to net position:	
Adjustments from prior years	63,507,146
Depreciation	(2,853,723)
Capital outlay	1,530,513
Principal paid on long-term debt	3,920,000
Premium on long-term debt	86,083
Increase in long-term interest payable	(883,240)
Increase in compensated absences	10,703
Decrease in deferred outflows	(50,507)
Increase in net pension liability	(151)
Decrease in deferred inflows	<u>56,798</u>
Net Position, end of year	<u>\$ 81,301,585</u>

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 1,622,130	\$ 1,622,130	\$ 1,706,186	\$ 84,056
Investment earnings	-	-	(361)	(361)
Total revenues	<u>1,622,130</u>	<u>1,622,130</u>	<u>1,705,825</u>	<u>83,695</u>
Expenditures				
Salaries and employee benefits	538,110	538,110	477,699	60,411
Supplies and other	868,996	845,205	1,001,482	(156,277)
Capital outlay	145,500	180,500	33,543	146,957
Addition to equipment replacement reserve	214,120	214,120	187,101	27,019
Total expenditures	<u>1,766,726</u>	<u>1,777,935</u>	<u>1,699,825</u>	<u>78,110</u>
Excess (deficiency) of revenues over expenditures	(144,596)	(155,805)	6,000	161,805
Add back equipment replacement reserve	<u>214,120</u>	<u>214,120</u>	<u>187,101</u>	<u>27,019</u>
Net change in fund balance	69,524	58,315	193,101	188,824
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ 69,524</u>	<u>\$ 58,315</u>	<u>\$ 193,101</u>	<u>\$ 188,824</u>

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

Net Position, end of year, budgetary basis:	\$ 193,101
Adjustments to reconcile to net position:	
Adjustments from prior years	(232,241)
Depreciation	(69,672)
Capital outlay	33,543
Increase in compensated absences	(36,478)
Increase in net pension asset	2,184
Decrease in deferred outflows	(7,124)
Increase in net pension liability	(176,856)
Decrease in deferred inflows	<u>14,097</u>
Net Position, end of year	<u>\$ (279,446)</u>

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.

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	(Restated) 2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 21,797,059	\$ 21,081,629	\$ 17,056,529	\$ 17,287,440	\$ 18,019,228	\$ 21,865,051	\$ 25,882,022	\$ 27,547,603	\$ 30,918,472	\$ 34,194,446
Restricted	10,987,109	9,929,271	9,048,404	9,015,587	10,514,851	6,770,279	7,782,359	6,399,927	4,554,465	3,491,426
Unrestricted	10,631,798	12,024,471	17,799,316	17,968,102	14,612,403	17,575,929	7,433,194	10,840,148	13,241,796	16,585,365
Total governmental activities net position	<u>43,415,966</u>	<u>\$ 43,035,371</u>	<u>\$ 43,904,249</u>	<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>	<u>\$ 54,271,237</u>
Business-type activities										
Net investment in capital assets	39,941,637	46,616,756	49,649,202	53,703,021	55,694,859	58,299,026	62,473,972	65,972,609	70,267,474	73,584,108
Restricted	100,818	92,327	-	-	-	-	-	-	-	3,486
Unrestricted	18,611,712	13,437,348	12,356,418	11,054,014	10,366,261	10,300,251	7,449,791	7,840,256	7,443,492	7,710,147
Total business-type activities net position	<u>\$ 58,654,167</u>	<u>\$ 60,146,431</u>	<u>\$ 62,005,620</u>	<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>	<u>\$ 81,297,741</u>
Primary government										
Net investment in capital assets	\$ 61,738,696	\$ 67,698,385	\$ 66,705,731	\$ 70,990,461	\$ 73,714,087	\$ 80,164,077	\$ 88,355,994	\$ 93,520,212	\$ 101,185,946	\$ 107,778,554
Restricted	11,087,927	10,021,598	9,048,404	9,015,587	10,514,851	6,770,279	7,782,359	6,399,927	4,554,465	3,494,912
Unrestricted	29,243,510	25,461,819	30,155,734	29,022,116	24,978,664	27,876,180	14,882,985	18,680,404	20,685,288	24,295,512
Total primary government net position	<u>\$ 102,070,133</u>	<u>\$ 103,181,802</u>	<u>\$ 105,909,869</u>	<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>	<u>\$ 135,568,978</u>

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

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
General Government	\$ 8,608,913	\$ 7,445,612	\$ 5,688,858	\$ 5,602,556	\$ 5,231,759	\$ 5,314,798	\$ 5,802,810	\$ 6,564,561	\$ 6,103,129	\$ 2,809,253
Public Safety	3,643,936	3,618,539	3,009,197	2,486,555	2,654,768	3,691,142	4,208,855	4,353,279	5,357,797	7,542,130
Public Works and Streets	5,620,499	4,899,328	2,531,632	3,204,078	5,635,022	3,986,709	3,352,131	3,025,476	4,534,423	5,336,542
Community and Economic Development	-	-	-	-	1,834,854	932,919	2,200,510	-	-	-
Community Services	1,037,534	815,848	1,357,077	2,004,255	974,564	426,571	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	557,038	1,810,593	1,928,332	2,501,727
Economic Development	-	-	-	-	-	-	-	1,336,234	2,261,269	2,355,663
Health and Welfare	-	-	-	-	-	-	-	-	-	251,997
Public Transportation	-	-	-	-	-	-	-	-	-	188,604
Interest on Long-Term Debt	755,167	636,191	583,175	567,901	559,672	563,158	442,506	319,545	296,144	292,714
Total governmental activities	<u>19,666,049</u>	<u>17,415,518</u>	<u>13,169,939</u>	<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>	<u>21,278,630</u>
Business-Type Activities:										
Wastewater	<u>8,197,653</u>	<u>7,773,970</u>	<u>7,618,142</u>	<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>7,960,339</u>
Total primary government expenses	<u>\$ 27,863,702</u>	<u>\$ 25,189,488</u>	<u>\$ 20,788,081</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>	<u>\$ 29,238,969</u>
Program revenues										
Governmental activities:										
Charges for Services										
General Government	\$ 705,542	\$ 717,236	\$ 189,417	\$ 289,510	\$ 78,355	\$ 89,021	\$ 318,200	\$ 674,762	\$ 661,395	\$ 824,299
Public Safety	96,472	42,929	200,129	202,465	154,786	134,164	49,218	31,570	24,743	607,666
Public Works	200,290	159,839	139,856	27,583	90,065	70,943	3,870	4,745	4,690	16,614
Economic Development	-	-	-	-	22,270	381,803	402,483	-	-	-
Community Services	103,587	124,140	57,475	64,714	68,367	57,697	95,716	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	104,217	121,295	131,359
Interest on Long-Term Debt	5,553	-	-	-	-	-	-	-	-	-
Operating grants and contributions	2,024,396	2,185,565	1,732,206	1,776,788	1,970,762	1,844,336	1,119,695	1,056,235	1,213,350	1,133,423
Capital grants and contributions	337,391	426,903	918,037	688,239	779,462	758,272	1,640,791	1,177,321	1,924,413	1,037,264
Total governmental activities program revenues	<u>3,473,231</u>	<u>3,656,612</u>	<u>3,237,120</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>	<u>3,750,625</u>
Business-Type Activities:										
Charges for services										
Wastewater	3,789,413	4,335,777	4,393,291	5,159,442	5,884,685	5,908,088	6,093,385	6,349,506	5,934,888	6,180,360
Capital grants and contributions	-	-	-	-	-	-	-	-	1,167,388	523,013
Total business-type activities program revenues	<u>3,789,413</u>	<u>4,335,777</u>	<u>4,393,291</u>	<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>6,703,373</u>
Total primary government program revenues	<u>\$ 7,262,644</u>	<u>\$ 7,992,389</u>	<u>\$ 7,630,411</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>	<u>\$ 10,453,998</u>

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
(Concluded)										
Net (Expense)/Revenue										
Governmental activities	\$ (16,192,818)	\$ (13,758,906)	\$ (9,932,819)	\$ (10,816,046)	\$ (13,726,572)	\$ (11,579,061)	\$ (12,933,877)	\$ (14,360,838)	\$ (16,531,208)	\$ (17,528,005)
Business-type activities	(4,408,240)	(3,438,193)	(3,224,851)	(2,459,518)	(2,205,419)	(1,982,839)	(2,066,194)	(788,182)	(231,513)	(1,256,966)
Total primary government net expense	<u>\$ (20,601,058)</u>	<u>\$ (17,197,099)</u>	<u>\$ (13,157,670)</u>	<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>	<u>\$ (18,784,971)</u>
General Revenues and Transfers:										
Governmental activities:										
Taxes										
Sales taxes	\$ 8,097,544	\$ 7,208,703	\$ 7,799,486	\$ 7,729,483	\$ 8,824,918	\$ 10,400,704	\$ 12,050,907	\$ 18,004,940	\$ 19,983,931	\$ 22,795,216
Franchise taxes	661,177	666,326	699,088	713,577	720,455	738,631	766,728	789,754	786,882	813,573
In lieu taxes	569,667	393,293	-	380,270	692,049	500,968	488,937	622,224	630,532	643,087
Unrestricted state revenue sharing	1,637,088	1,411,823	1,064,334	846,624	1,024,645	1,118,082	1,214,315	1,207,731	1,270,897	1,287,767
Unrestricted state sales tax revenue sharing	870,023	802,470	830,562	783,825	821,056	873,126	916,721	948,696	950,879	998,202
Unrestricted auto lieu tax revenue sharing	593,707	551,996	543,380	476,438	483,343	508,519	534,404	577,681	606,030	642,895
Investment earnings	735,011	533,139	166,085	215,593	127,098	255,995	210,386	307,030	159,363	99,315
Proceeds from sale of capital assets	-	-	-	-	-	-	-	11,806	-	-
Other	244,088	1,405,705	88,974	37,116	64,367	164,187	22,863	78,629	107,960	70,639
Transfers	479,856	404,856	-	-	63,842	83,626	88,235	(4,497,550)	(4,038,211)	(4,351,138)
Total governmental activities general revenues and transfers	<u>13,888,161</u>	<u>13,378,311</u>	<u>11,191,909</u>	<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>	<u>22,999,556</u>
Business-type activities:										
Sales Taxes	5,435,186	4,925,801	5,413,073	5,002,648	4,638,664	4,478,074	4,046,986	-	-	-
Investment earnings	734,783	409,512	134,460	208,284	111,930	126,548	73,193	179,734	78,287	100,891
Miscellaneous	-	-	-	-	-	-	-	-	13,116	391,650
Transfers	(479,856)	(404,856)	-	-	(63,842)	(83,626)	(88,235)	4,497,550	4,038,211	4,351,138
Total business-type activities general revenues and transfers	<u>5,690,113</u>	<u>4,930,457</u>	<u>5,547,533</u>	<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>4,843,679</u>
Total primary government general revenues and transfers	<u>\$ 19,578,274</u>	<u>\$ 18,308,768</u>	<u>\$ 16,739,442</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>	<u>\$ 27,843,235</u>
Change in Net Position										
Governmental activities	(2,304,657)	(380,595)	1,259,090	366,880	(904,799)	3,064,777	3,359,619	3,690,103	3,927,055	5,471,551
Business-type activities	1,281,873	1,492,264	2,322,682	2,751,414	2,481,333	2,538,157	1,965,750	3,889,102	3,898,101	3,586,713
Total primary government change in net position	<u>\$ (1,022,784)</u>	<u>\$ 1,111,669</u>	<u>\$ 3,581,772</u>	<u>\$ 3,118,294</u>	<u>\$ 1,576,534</u>	<u>\$ 5,602,934</u>	<u>\$ 5,325,369</u>	<u>\$ 7,579,205</u>	<u>\$ 7,825,156</u>	<u>\$ 9,058,264</u>

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

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

	Fiscal Year	
	2009	2010
General Fund		
Unreserved	<u>\$ 9,468,179</u>	<u>\$11,157,413</u>
All Other Governmental Funds		
Unreserved, reported in:		
Special Revenue Funds	3,662,174	2,700,657
Debt Service Funds	(1,923)	-
Capital Projects Funds	<u>10,829,107</u>	<u>10,163,223</u>
Total All Other Governmental Funds	<u>\$ 14,489,358</u>	<u>\$12,863,880</u>

	Fiscal Year							
	2011	2012	2013	2014	2015	2016	2017	2018
General Fund								
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,203	\$ 15,409	\$ 15,604
Restricted	-	-	-	-	1,794,750	77,855	81,828	86,591
Committed	-	-	-	1,626,131	-	389,240	421,696	701,913
Assigned	-	-	-	-	-	1,585,000	2,018,050	2,032,174
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>	<u>6,915,095</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>	<u>\$ 9,751,377</u>
All Other Governmental Funds								
Nonspendable	-	-	-	-	-	15,000	-	1,575
Restricted	9,048,404	9,015,587	10,561,911	6,770,279	7,692,180	6,321,238	4,472,637	3,252,827
Committed	4,468,706	4,464,502	-	66,607	5,367,842	9,692,916	11,268,308	1,147,912
Assigned	-	-	-	-	26,199	525,863	750,137	15,334,100
Unassigned	-	-	-	-	(19,373)	(36,684)	(54,281)	(31,246)
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>	<u>\$19,705,168</u>

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

Note: During 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									
	2009	2010	2011	2012	2013	2014	(Restated) 2015	2016	2017	2018
Revenues										
Taxes	\$ 9,328,388	\$ 8,142,198	\$ 8,538,593	\$ 8,594,131	\$ 9,756,849	\$ 11,205,625	\$ 13,628,451	\$ 19,412,559	\$ 21,523,901	\$ 24,290,404
Licenses and permits	212,366	207,092	179,555	276,000	334,756	466,937	468,722	496,517	475,216	455,498
Intergovernmental	5,463,364	6,127,774	4,473,983	4,131,915	4,825,104	5,205,547	5,034,197	4,505,596	4,831,007	4,935,807
Contributions	1,114	1,990	6,452	39,342	51,945	-	23,711	230,296	86,376	290,500
Charges for services	161,103	184,458	98,339	125,142	89,118	99,231	190,565	162,130	202,854	770,108
Fines and forfeitures	268,848	269,104	200,129	202,465	154,786	134,164	172,694	147,984	140,840	249,893
Impact fees	302,216	278,352	154,162	297,107	278,480	450,798	216,039	231,772	618,741	207,076
Special assessments	163,266	-	-	-	-	-	-	-	-	-
Investment earnings	735,012	533,139	221,786	284,730	139,854	303,098	238,592	307,030	159,363	99,675
Rents and royalties	3,362	3,698	-	-	-	-	-	-	-	-
Other	235,581	506,745	292,300	120,851	521,353	276,872	38,707	78,629	107,960	75,089
Total revenues	16,874,620	16,254,550	14,165,299	14,071,683	16,152,245	18,142,272	20,011,678	25,572,513	28,146,258	31,374,050
Expenditures										
Current										
General government	8,908,985	6,993,621	5,021,720	5,132,317	5,639,357	5,881,473	5,471,132	6,179,381	5,760,492	2,703,709
Public safety	3,636,491	3,541,391	2,947,190	2,550,703	2,723,035	3,609,678	3,770,380	4,198,335	4,972,449	6,854,047
Public works and streets	5,588,218	4,300,673	2,031,023	2,265,572	3,332,977	3,642,185	2,280,656	1,824,816	3,118,403	3,798,641
Culture and recreation	1,169,314	843,316	1,654,380	1,914,570	1,803,515	389,420	2,193,308	1,769,992	1,820,211	2,293,792
Economic development	-	-	-	-	-	-	550,762	1,336,234	2,261,269	2,368,755
Health and welfare	-	-	-	-	-	-	-	-	-	251,997
Public transportation	-	-	-	-	-	-	-	-	-	188,604
Capital outlay	-	-	1,577,185	1,286,046	4,486,413	4,337,561	3,546,030	5,237,935	4,592,490	5,211,057
Debt Service:										
Principal retirement	586,753	345,942	-	378,130	354,309	346,889	345,000	515,000	602,019	1,413,004
Interest and fiscal charges	689,685	570,707	562,465	547,193	538,964	561,020	418,606	245,667	222,266	234,775
Total expenditures	20,579,446	16,595,650	13,793,963	14,074,531	18,878,570	18,768,226	18,575,874	21,307,360	23,349,599	25,318,381
Excess (Deficiency) of Revenue Over Expenditures	(3,704,826)	(341,100)	371,336	(2,848)	(2,726,325)	(625,954)	1,435,804	4,265,153	4,796,659	6,055,669
Other Financing Sources (Uses)										
Proceeds of refunding debt issuance	-	-	-	-	-	1,879,700	-	-	-	-
Proceeds of long-term debt issuance	114,032	-	-	-	-	-	-	-	-	-
Payment to refunding debt escrow agent	-	-	-	-	-	(1,845,000)	-	-	-	-
Sale of general capital assets	-	-	-	-	-	-	22,863	11,806	-	18,182
Issuance of long-term debt	-	-	-	-	-	-	-	8,030,000	438,309	268,509
Payment to escrow agent	-	-	-	-	-	-	-	(7,934,739)	-	-
Transfers out	(401,452)	(1,264,607)	(316,125)	(838,373)	857,675	(1,136,498)	(7,955,237)	(11,928,810)	(7,142,658)	(10,023,287)
Transfers in	881,308	1,669,463	316,125	838,373	(793,833)	1,220,124	8,043,472	7,431,260	3,104,447	5,672,149
Total other financing sources (uses)	593,888	404,856	-	-	63,842	118,326	111,098	(4,390,483)	(3,599,902)	(4,064,447)
Net Change in Fund Balance	\$ (3,110,938)	\$ 63,756	\$ 371,336	\$ (2,848)	\$ (2,662,483)	\$ (507,628)	\$ 1,546,902	\$ (125,330)	\$ 1,196,757	\$ 1,991,222
Debt services as a percentage of non-capital expenditures	6.92 %	5.82 %	4.60 %	7.24 %	6.21 %	6.72 %	5.21 %	4.78 %	4.53 %	8.19 %

**CITY OF SEDONA, ARIZONA
GENERAL GOVERNMENT PRINCIPAL SALES TAX REMITTERS
CURRENT YEAR AND NINE YEARS AGO
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

Tax Payer	Fiscal Year 2018			Fiscal Year 2009		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Hotels & Other Lodging	\$ 8,360,180	1	37.0 %	\$ 3,600,663	1	26.5 %
Retail Trade	6,103,336	2	27.0 %	3,069,968	2	22.7 %
Restaurants & Bars	3,782,837	3	16.8 %	1,757,018	4	13.0 %
Rental/Leasing/Licensing	1,411,068	4	6.3 %	861,924	6	6.4 %
Construction	1,276,107	5	5.7 %	2,358,558	3	17.4 %
All Other	992,559	6	4.4 %	1,213,977	5	9.0 %
Trans/Comm/Utilities	625,519	7	2.8 %	670,573	7	5.0 %
	<u>\$ 22,551,606</u>		<u>100.0 %</u>	<u>\$ 13,532,681</u>		<u>100.0 %</u>

Source: The Arizona Department of Revenue and Revenue Discovery Systems.

Note: Due to confidentiality issues, the names of the ten largest tax remitters cannot be presented. The categories presented are intended to provide alternative information regarding the sources of the city's 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
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
2018	18,393,517	4,431,680	822,122	643,086	24,290,404

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

CITY OF SEDONA, ARIZONA
SALES TAXES COLLECTIONS BY CATEGORY
LAST TEN FISCAL YEARS
(UNAUDITED)
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Sales Category										
Construction	\$ 2,358,558	\$ 1,809,571	\$ 1,196,484	\$ 845,718	\$ 799,034	\$ 1,106,248	\$ 1,043,214	\$ 1,245,147	\$ 1,268,542	\$ 1,276,107
Transportation, Communication and Utilities	670,573	704,133	691,194	610,278	566,849	621,539	551,710	650,644	587,679	625,519
Retail Trade	3,069,968	2,993,452	4,177,664	4,238,541	3,941,680	4,375,792	4,359,761	4,051,430	5,512,500	6,103,336
Restaurants and Bars	1,757,018	1,639,413	1,771,269	1,822,094	1,769,999	2,197,587	1,959,886	2,165,811	3,219,795	3,782,837
Rental/Leasing/Licensing	861,924	853,836	800,883	770,388	747,856	928,205	630,449	942,690	1,227,904	1,411,068
Hotels and Other Lodging	3,600,663	2,937,039	3,207,107	3,583,876	3,142,085	1,980,589	4,317,072	5,876,944	6,956,871	8,360,180
All Other Outlets	1,213,977	1,197,058	1,055,093	649,880	513,538	612,380	1,053,920	2,108,595	846,275	992,559
Total	<u>\$ 13,532,681</u>	<u>\$ 12,134,502</u>	<u>\$ 12,899,694</u>	<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>	<u>\$ 22,551,606</u>
Direct Sales Tax Rate	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %	3.00% thru 2/28/18 3.50% starting 3/1/18
Transient Lodging Tax	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %	3.00% thru 12/31/13 3.50% starting 1/1/14	3.50 %	3.50 %	3.50 %

Source: Arizona Department of Revenue and Revenue Discovery Systems.

**CITY OF SEDONA, ARIZONA
 DIRECT AND OVERLAPPING SALES TAX RATES
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

Fiscal Year	City Direct Sales		Coconino		State of Arizona
	Tax Rate	Yavapai County	County		
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 %	1.125 %	5.60 %	
2016	3.00 %	0.75 %	1.300 %	5.60 %	
2017	3.00 %	0.75 %	1.300 %	5.60 %	
2018	3.00% through 2/28/18 3.50% starting 3/1/18	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 and Installment Purchases	Revenue Bonds	WIFA Loan	Capital Appreciation Bond Interest				
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	
2018	8,790,000	426,058	18,700,000	-	11,259,315	39,175,373	9.23 %	3,790	

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

**CITY OF SEDONA, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

<u>Government Unit</u>	<u>Outstanding Debt (1)</u>	<u>Estimated Percentage Applicable (2)</u>	<u>Estimated Share of Overlapping Debt</u>
Coconino County	\$ 19,644	7.14 %	\$ 1,403
Yavapai County	18,485,890	9.19 %	1,698,853
Coconino County Community College District	2,120,000	7.14 %	151,368
Yavapai County Community College District	15,715,000	9.19 %	194,828
Sedona-Oak Creek Unified S.D. No. 9	41,645,000	60.57 %	25,224,377
Sedona Fire District	1,363,379	60.39 %	<u>823,345</u>
Total Overlapping Debt			28,094,174
City of Sedona	9,216,058	100.00 %	<u>9,216,058</u>
Total Direct and Overlapping Debt			<u>\$ 37,310,232</u>

Source: Arizona State Treasurer's Office, Arizona Report of Bonded Indebtedness

(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 2018 calendar year.

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

WIFA⁽³⁾

Fiscal Year	Gross Revenues ⁽¹⁾	Less Operating Expenses ⁽²⁾	Net Available Revenue	Principal	Interest	Coverage
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	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-

Special Assessment Bonds⁽⁴⁾

Fiscal Year	Special Assessment	Principal	Interest	Total	Coverage
2009	\$ 163,266	\$ 260,000	\$ 7,475	\$ 267,475	0.61
2010	-	-	-	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	-	-	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-
2017	-	-	-	-	-
2018	-	-	-	-	-

Excise Tax Revenue Bonds

Fiscal Year	Excise Tax Revenues	Principal	Interest	Total	Coverage
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
2018	26,116,973	5,155,000	695,923	5,850,923	4.46

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 included depreciation, interest expense, issuance costs and fiscal charges.
- (3) WIFA Loan closed as of 2010.
- (4) Special Assessment Bonds closed as of 2009.

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

	Fiscal Year										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Coconino County	N/A	N/A	N/A	N/A	N/A	N/A	\$ 110,290,043	\$ 121,388,325	\$ 125,045,612	\$ 134,528,591	\$ 138,333,198
Yavapai County	N/A	N/A	N/A	N/A	N/A	N/A	177,099,032	183,416,070	191,649,855	227,245,423	238,835,422
Total Assessed Valuation	N/A	N/A	\$ 289,661,444	\$ 289,661,444	\$ 298,617,510	\$ 287,389,075	\$ 304,804,395	\$ 316,695,467	\$ 361,774,014	\$ 377,168,620	
20% Limitation											
Debt Limit Equal to 20% of Assessed Valuation	N/A	N/A	\$ 57,932,289	\$ 57,932,289	\$ 59,723,502	\$ 57,477,815	\$ 60,960,879	\$ 63,339,093	\$ 72,354,803	\$ 75,433,724	
Total Net Debt Applicable to 20% Limit	N/A	N/A	-	-	-	-	-	-	-	-	
Legal 20% Debt Margin	N/A	N/A	\$ 57,932,289	\$ 57,932,289	\$ 59,723,502	\$ 57,477,815	\$ 60,960,879	\$ 63,339,093	\$ 72,354,803	\$ 75,433,724	
6% Limitation 2018											
Debt Limit Equal to 6% of Assessed Valuation	N/A	N/A	\$ 17,379,687	\$ 17,379,687	\$ 17,917,051	\$ 17,243,345	\$ 18,288,264	\$ 19,001,728	\$ 21,706,441	\$ 22,630,117	
Total Net Debt Applicable to 6% Limit	N/A	N/A	-	-	-	-	-	-	-	-	
Legal 6% Debt Margin	N/A	N/A	\$ 17,379,687	\$ 17,379,687	\$ 17,917,051	\$ 17,243,345	\$ 18,288,264	\$ 19,001,728	\$ 21,706,441	\$ 22,630,117	

Source: Coconino County, Yavapai County

Note 1: Arizona's Constitution states that a municipality cannot issue general obligation bonds in excess of 6% of the assessed valuation for general municipal purpose.

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**

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Yavapai County Unemployment Rate
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%
2018	10,336	424,220,448	41,043	58.3	1,007	4.40%

Sources: Census.gov, Bureau of Labor Statistics, Sedona Oak Creek School District, Sedona Charter School, and Sedona Montessori School.

**CITY OF SEDONA, ARIZONA
PRINCIPAL EMPLOYERS
JUNE 30, 2018 AND NINE YEARS PRIOR
(UNAUDITED)**

Employer	2018			2009		
	Employees (1)	Rank	Percentage of Total Employment	Employees (1)	Rank	Percentage of Total Employment
Enchantment Resorts (location outside of City)	565	1	9.97 %	383	2	6.04%
Diamond Resorts	300	2	5.29	275	3	4.34%
L'Auberge de Sedona Resort	240	3	4.24 %	180	5	2.84%
Hilton Resort & Spa (location outside of City)	197	4	3.48 %	193	4	3.05%
Pink Jeep Tours	168	5	2.97 %	125	7	1.97%
Sedona/Oak Creek School District	154	6	2.72 %	180	5	2.84%
City of Sedona	105	7	1.85 %	120	8	1.89%
Amara Resort	100	8	1.76 %	N/A	N/A	N/A
Sedona Center Properties	97	9	1.71 %	N/A	N/A	N/A
Kachina Point Rehabilitation Hospital	85	10	1.50 %	N/A	N/A	N/A
Sunterra Resorts				400	1	6.31%
Radisson Resorts				99	9	1.56%
Sedona Rouge				98	10	1.55%
Total	<u>2,011</u>		<u>35.49 %</u>	<u>2,056</u>		<u>32.39%</u>

Source: Sedona Chamber of Commerce.

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

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

Function	Budgeted Positions									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Management Services	32	30	27	27	28	28	27	26	27	28
Finance	5	5	5	5	6	8	8	8	8	8
Planning	16	11	10	10	10	10	10	12	12	12
Other	2	1	1	1	1	3	3	3	4	4
Public Safety										
Officers	32	32	27	27	26	27	27	27	27	27
Civilians	14	11	11	9	12	12	14	14	16	16
Building safety	2	2	2	2	2	2	2	2	2	2
Public Works										
Engineering	5	4	3	4	6	6	6	8	8	8
Other	20	18	15	16	15	15	15	15	16	18
Culture and Recreation	23	16	16	6	5	6	6	6	6	8
Wastewater	12	11	11	10	11	11	11	11	11	12
Total	<u>163</u>	<u>141</u>	<u>128</u>	<u>117</u>	<u>122</u>	<u>128</u>	<u>129</u>	<u>132</u>	<u>137</u>	<u>143</u>

Source: City of Sedona, Arizona

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

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Building Permits Issued	537	593	463	472	476	500	518	617	646	557
Building Inspections Conducted	2,180	2,086	1,277	1,453	1,781	1,907	1,953	1,733	1,889	2,899
Police										
Physical Arrests	652	544	537	497	364	325	432	383	464	391
Parking Violations	40	195	149	195	587	191	317	737	728	2,819
Traffic Violations	3,772	3,310	2,617	2,268	2,340	1,145	3,827	3,553	2,011	-
Other Public Works										
Street Resurfacing (Miles)	3.5	-	2.4	3.0	3.8	2.2	2.6	2.4	6.5	5.9
Right of Way Permits Issued	148	157	157	161	204	190	210	194	184	198
Wastewater										
Average Daily Sewage Treatment (Millions of Gallons)	1.1	1.1	1.2	1.1	1.1	1.2	1.1	1.1	1.1	1.2

Source: City of Sedona, Arizona

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

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	12	16	13	13	17	15	15	16	19	19
Other Public Works										
Streets (Miles)	92.6	92.6	92.6	92.6	92.6	92.6	92.6	92.6	92.6	92.6
Highways (Miles)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Streetlights	8	8	8	8	136	136	147	147	149	149
Parks and Recreation										
Acreage	92	93	93	93	93	123	123	123	123	123
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	659	659	659	659	659	659	659	659	659
Wastewater										
Sanitary Sewers (Miles)	75	75	75	110	110	110	110	110	110	110
Treatments 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

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