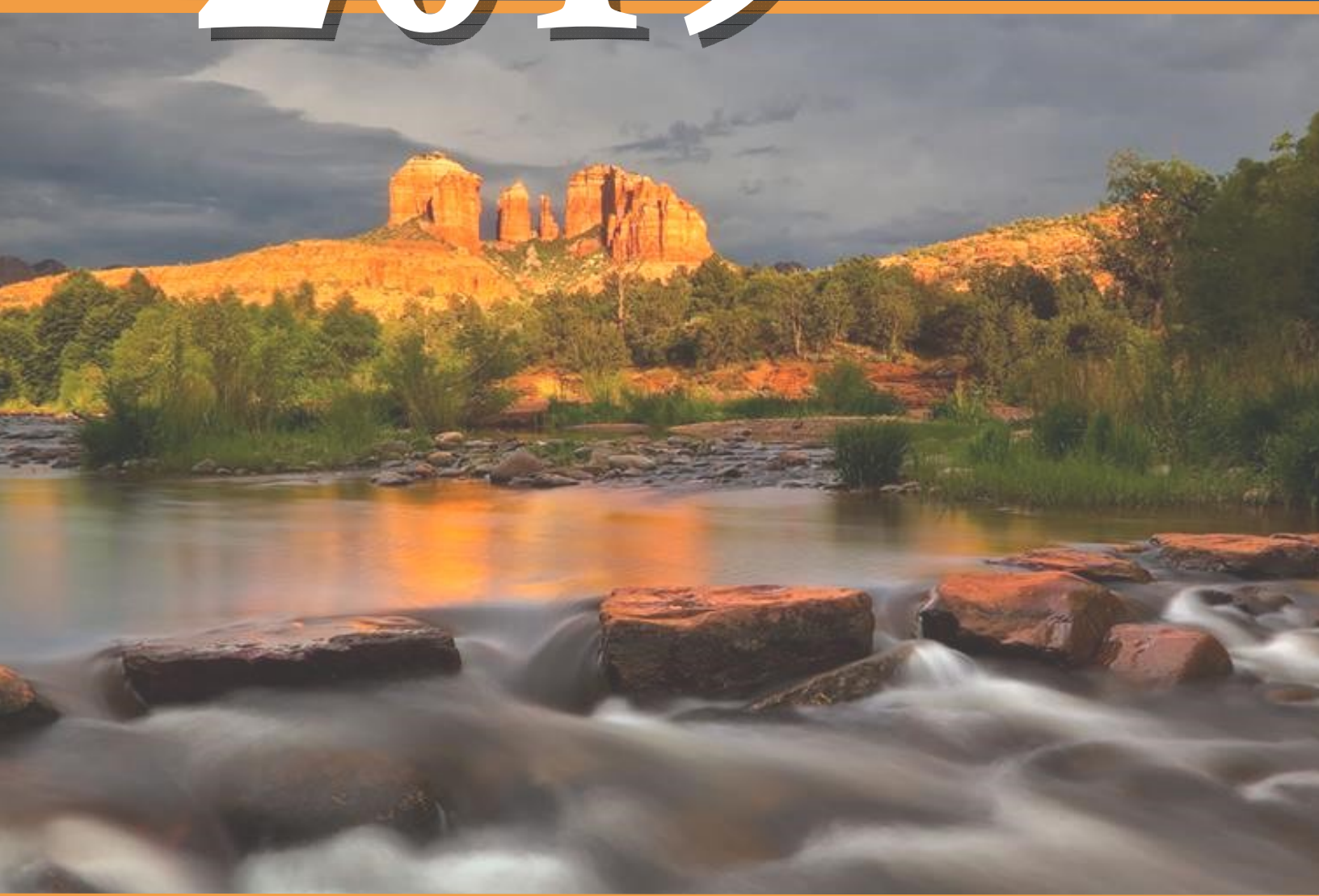


CAFR 2019



**COMPREHENSIVE ANNUAL
Financial Report**
City of Sedona, Arizona
for fiscal year ending June 30, 2019

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CITY OF SEDONA, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2019

Prepared by:
Financial Services Department

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CITY OF SEDONA, ARIZONA

For the Year Ended June 30, 2019

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CITY OF SEDONA, ARIZONA

For the Year Ended June 30, 2019

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CITY OF SEDONA, ARIZONA

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INTRODUCTORY SECTION

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Sedona, AZ 86336
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www.SedonaAZ.gov

December 31, 2019

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

We are pleased to submit to you the fiscal year 2019 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, 2019, 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, 2019, 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 10,335. 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.

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; however, the rate of growth is expected to level off with the potential for decreases if another recession occurs.

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. In order to maintain the Home Rule option, the voters must authorize this option every four years. The citizens of Sedona re-authorized it in August 2018.

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, Enterprise Fund, and Internal Service 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 2019 was a successful year. Revenues exceeded conservative budget estimates by approximately 4% and were budgeted at a 16% 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, total sales tax revenues comprise approximately 77% 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. Unrestricted sales tax revenues increased 7% over the prior fiscal year and are expected to level off over the next few years.

The City also has a 3.5% bed tax (transient occupancy), a special sales tax, 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 more effort has been placed on the management of tourism to achieve a sustainable balance. For fiscal year 2019, bed tax revenue exceeded the prior year actuals by 8%. 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 10% 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, many 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 2021 budget process.

Major Initiatives and Service Efforts and Accomplishments for the Year

During fiscal year 2019, 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 2019:

Police

- Conducted three DUI Multi-Agency Task Force events in Sedona and participated in numerous DUI Details throughout the Verde Valley.
- Conducted 2 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 completion of investigations within 6 months by 15%.
- Implemented a new computer-aided dispatch and records management system.
- 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

- Continued implementation of Transportation Master Plan projects.
- Completed master plan design for Brewer Road Park.
- Completed approximately 4 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.
- Developed a Property Management Maintenance Plan.

Management Services

- Facilitated the development of a sustainable tourism plan involving participation of Sedona residents, community groups, and business.
- Initiated a Lean Government and Six Sigma quality training and improvement project.
- Initiated an Enterprise Risk Management project.
- Hired a Sustainability Coordinator and initiated a plan for environmental sustainability efforts.

Economic Development

- Completed and adopted the Verde Valley Regional Economic Organization regional economic development strategic plan.
- Leveraged over \$85,000 of grant funding and matching funds for economic development efforts.

Community Development

- Completed a comprehensive update of the Sedona Land Development Code.
- Created an in-house training program for plan reviews and inspections.
- Initiated a comprehensive update to the Building Code.
- Over 350 code enforcement cases processed.
- Completed approximately 4,600 building inspections.
- Participated in a start-up, grassroots citizens group working on housing issues.

Parks & Recreation

- Offered 23 days of events in one year, including 4 new events.
- Introduced a new aqua yoga fitness program.
- Assumed responsibility for managing the Posse Grounds Park Hub performance venue and restored the facility to align with City standards.

Wastewater

- Initiated a wastewater rate study.
- Completed design of 2 lift station upgrade projects.
- Completed design of the tertiary filter upgrades project.
- Completed valve improvements along the interceptor line that runs between the City limits and the treatment plant.
- Collected and processed approximately 1.14 million gallons of wastewater per day.

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 2020 budget process. The City Council categorized priorities as either "high," "medium," or "low." Some of the fiscal year 2020 priorities include completing various transportation improvements, 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, developing a plan for addressing affordable housing issues, evaluating options for expenditure limitations, improving citizen communications and relations, enhancing economic diversification, developing an emergency preparedness plan, and evaluating options for support of Sedona Recycles, Inc.

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, 2018. This was the 20th 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,

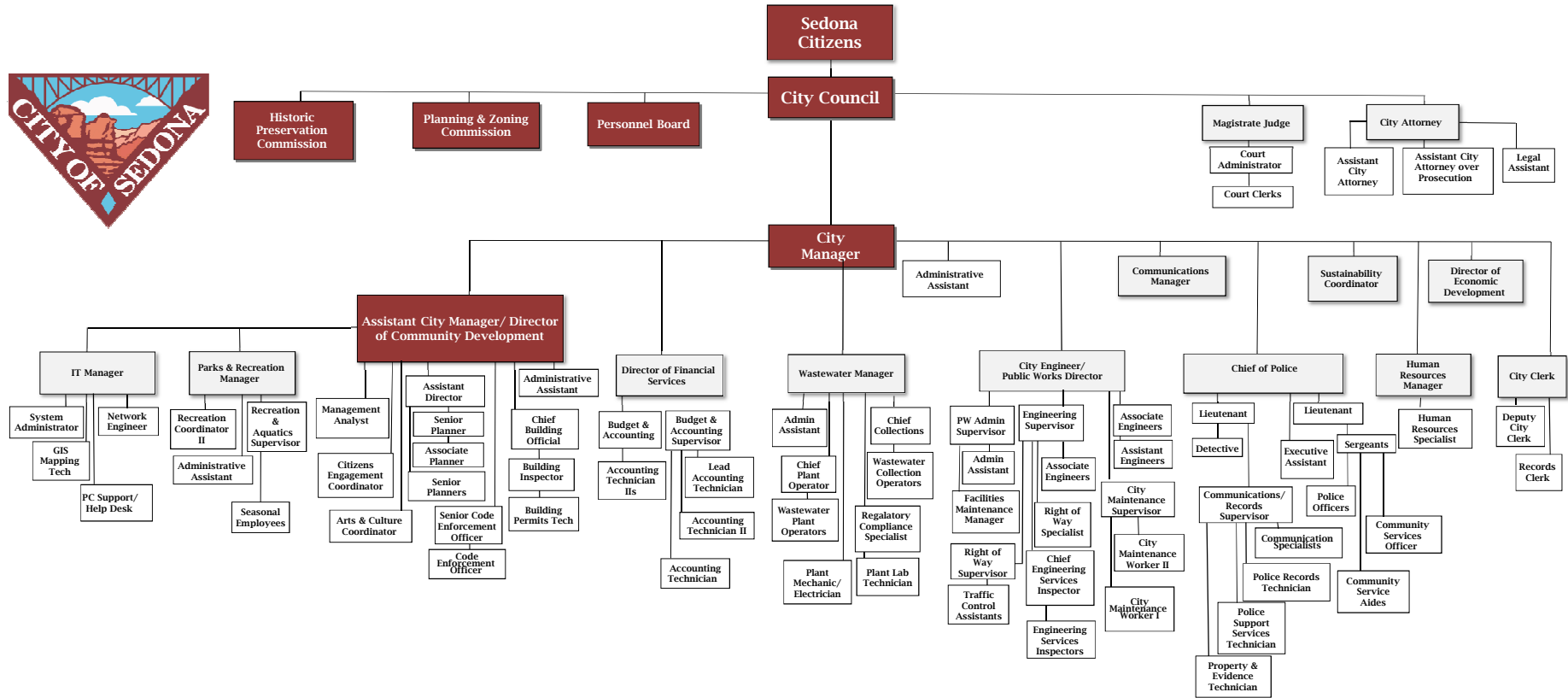
A handwritten signature in blue ink that reads "Justin Clifton". The signature is written in a cursive style with a prominent initial "J".

Justin Clifton
City Manager

A handwritten signature in blue ink that reads "Cherie R. Wright". The signature is written in a cursive style with a prominent initial "C".

Cherie R. Wright
Director of Financial Services

**CITY OF SEDONA, ARIZONA
ORGANIZATIONAL CHART
JUNE 30, 2019**



CITY OF SEDONA, ARIZONA
LIST OF ELECTED AND APPOINTED OFFICIALS
JUNE 30, 2019

Sandy Moriarty
Mayor

John Martinez
Vice Mayor

Councilmembers

William Chisholm John Currivan Janice Hudson

Scott Jablow 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, 2018

Christopher P. Merrill

Executive Director/CEO

FINANCIAL SECTION

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CliftonLarsonAllen LLP
CLAconnect.com

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, 2019, 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.

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

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, 2019, 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

As discussed in Note 17 to the financial statements, the City restated beginning net position of its financial statements for the year ended June 30, 2018, to correct misstatements in its previously issued financial statements. Our opinions are not modified with respect to this matter.

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 31, 2019

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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, 2019. 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 2019 and 2018 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 2019 and 2018 by \$157.6 million and \$143.7 million (net position), respectively. Of these amounts, \$33.9 million and \$24.3 million (unrestricted net position), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position increased by \$14.0 million during fiscal year 2019 and increased \$8.8 million during fiscal year 2018.
- As of June 30, 2019 and 2018, the City's governmental funds reported combined ending fund balances of \$35.6 million and \$29.5 million, respectively, which were comprised of nonspendable, restricted, committed, assigned, and unassigned fund balances.
- At the close of fiscal year 2019, unassigned fund balance for the General Fund was \$9.5 million, or 47.1% of actual expenditures.
- During fiscal year 2019, the City's total bonded debt decreased by \$5.3 million due to scheduled principal payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-Wide Financial Statements

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

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

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

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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 (SWMP) 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, 2019**

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 the Financial Statements

The notes to the 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 the 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, and 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, 2019**

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 \$157.6 million and \$143.7 million at the close of the fiscal year 2019 and 2018, respectively.

**CITY OF SEDONA, ARIZONA
CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2019 AND 2018**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018 as restated	2019	2018 as restated
Current and other assets	\$ 40,625,512	\$ 33,435,885	\$ 23,628,179	\$ 21,474,062	\$ 64,253,691	\$ 54,909,947
Capital assets						
Nondepreciable	13,252,609	9,193,643	12,584,624	11,263,580	25,837,233	20,457,223
Depreciable (net)	33,735,186	34,990,168	90,212,385	93,594,886	123,947,571	128,585,054
Total assets	87,613,307	77,619,696	126,425,188	126,332,528	214,038,495	203,952,224
Deferred outflows of resources	3,770,183	3,689,474	336,818	340,141	4,107,001	4,029,615
Other liabilities	4,075,222	3,123,581	5,307,754	5,496,457	9,382,976	8,620,038
Noncurrent liabilities						
Due within one year	1,488,233	1,779,254	1,453,421	4,053,108	2,941,654	5,832,362
Due in more than one year	19,572,023	21,270,866	27,096,392	27,652,172	46,668,415	48,923,038
Total liabilities	25,135,478	26,173,701	33,857,567	37,201,737	58,993,045	63,375,438
Deferred inflows of resources	1,391,039	864,232	124,368	63,595	1,515,407	927,827
Net position						
Net investment in capital assets	36,964,267	34,194,446	82,872,611	81,693,704	119,836,878	115,888,150
Restricted	3,904,561	3,491,426	2,571	3,486	3,907,132	3,494,912
Unrestricted	23,988,145	16,585,365	9,904,889	7,710,147	33,893,034	24,295,512
Total net position	\$ 64,856,973	\$ 54,271,237	\$ 92,780,071	\$ 89,407,337	\$ 157,637,044	\$ 143,678,574

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 \$119.8 million (76.0%) and \$115.9 million (80.7%) for the fiscal years 2019 and 2018, 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, \$3.9 million (2.5%) for fiscal year 2019 and \$3.5 million (2.4%) for fiscal year 2018, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position for fiscal years 2019 and 2018, \$33.9 million (21.5%), and \$24.3 million (16.9%) 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, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position

The City's net position increased by \$14.0 million and \$8.8 million during the fiscal years 2019 and 2018, respectively. These changes are explained in the governmental and business-type activities discussion below.

**CITY OF SEDONA, ARIZONA
CONDENSED STATEMENT OF ACTIVITIES
FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

	Governmental Activities		Business-type Activities		Primary Government	
	2019	2018	2019	2018 as restated	2019	2018 as restated
Revenues						
Program revenues						
Charges for services	\$ 1,447,667	\$ 1,579,938	\$ 6,251,954	\$ 6,180,360	\$ 7,699,621	\$ 7,760,298
Operating grants and contributions	1,724,973	1,133,423	-	-	1,724,973	1,133,423
Capital grants and contributions	1,546,883	1,037,264	573,380	523,013	2,120,263	1,560,277
General revenues						
Local taxes	27,643,256	24,251,876	-	-	27,643,256	24,251,876
State revenue sharing	2,954,258	2,928,864	-	-	2,954,258	2,928,864
Investment earnings	1,003,210	99,315	620,971	100,891	1,624,181	200,206
Other	87,431	70,639	18,207	391,650	105,638	462,289
Total revenues	<u>36,407,678</u>	<u>31,101,319</u>	<u>7,464,512</u>	<u>7,195,914</u>	<u>43,872,190</u>	<u>38,297,233</u>
Expenses						
General government	2,974,989	2,809,253	-	-	2,974,989	2,809,253
Public safety	6,836,072	7,542,130	-	-	6,836,072	7,542,130
Public works and streets	5,488,876	5,336,542	-	-	5,488,876	5,336,542
Culture and recreation	2,521,273	2,501,727	-	-	2,521,273	2,501,727
Economic development	2,424,664	2,355,663	-	-	2,424,664	2,355,663
Health and welfare	492,083	251,997	-	-	492,083	251,997
Public transportation	202,363	188,604	-	-	202,363	188,604
Interest on long-term debt	281,913	292,714	-	-	281,913	292,714
Wastewater	-	-	8,691,487	8,217,210	8,691,487	8,217,210
Total expenses	<u>21,222,233</u>	<u>21,278,630</u>	<u>8,691,487</u>	<u>8,217,210</u>	<u>29,913,720</u>	<u>29,495,840</u>
Increase (decrease) in net position before transfers	15,185,445	9,822,689	(1,226,975)	(1,021,296)	13,958,470	8,801,393
Transfers	<u>(4,599,709)</u>	<u>(4,351,138)</u>	<u>4,599,709</u>	<u>4,351,138</u>	<u>-</u>	<u>-</u>
Change in net position	<u>10,585,736</u>	<u>5,471,551</u>	<u>3,372,734</u>	<u>3,329,842</u>	<u>13,958,470</u>	<u>8,801,393</u>
Net position - beginning, as restated	<u>54,271,237</u>	<u>48,799,686</u>	<u>89,407,337</u>	<u>86,077,495</u>	<u>143,678,574</u>	<u>134,877,181</u>
Net position - ending	<u>\$ 64,856,973</u>	<u>\$ 54,271,237</u>	<u>\$ 92,780,071</u>	<u>\$ 89,407,337</u>	<u>\$ 157,637,044</u>	<u>\$ 143,678,574</u>

Governmental Activities – In fiscal year 2019, governmental activities increased the net position of the City by \$10.6 million. Total revenues increased \$5.3 million (17.1%) from fiscal year 2018. Program revenues, which are comprised of charges for services, operating and capital grants and contributions, increased \$1.0 million (25.8%) primarily due to a one-time in-lieu contribution collected for affordable housing. General revenues, which include local taxes, state revenue sharing, investment income, and other revenues, increased \$4.3 million (15.9%) due to increases in tax revenues and investment earnings.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position (Continued)

Local taxes increased by \$3.4 million (14.0%) due to several factors. The economy has continued to improve which has resulted in increased tourism and consumer spending. The City continues to see an increase in short-term residential rentals activity. In addition, this is the first full year since the City Council approved a half-cent sales tax dedicated to transportation projects and related administrative and operational costs effective March 1, 2018.

Operating grants and contributions increased \$0.6 million (52.2%) due to a one time in-lieu contribution for affordable housing.

Investment earnings increased \$0.9 million (910.1%) due to higher interest rates and significant increases in fair market values.

Expenses decreased \$0.1 million, or 0.3%. Public safety expenses decreased primarily due to a reduction in the Public Safety Personnel Retirement System (PSPRS) liability and changes in assumptions in the prior year increasing the fiscal year 2018 expenses.

Health and welfare expenses increased due to the expansion of the City's sustainability program and reclassification of expenses previously recorded in other functional categories.

Business-Type Activities – Business-type activities increased the City's net position by \$3.4 million in fiscal year 2019. Revenue increased \$0.3 million and expenses increased by \$0.5 million. The increase in revenue was primarily due to an increase in investment earnings due to higher interest rates and significant increases in fair market values. The increase in expenses was primarily related to an increase in depreciation expense.

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 \$35.6 million, an increase of \$6.2 million, or a 20.9% increase in comparison with the prior year. The combined ending fund balances for fiscal year 2018 were \$29.5 million.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

The General Fund is the chief operating fund of the City. At June 30, 2019, the unassigned fund balance of the General Fund was \$9.5 million, or 26.5% of the combined governmental fund balance. The unassigned fund balance of the General Fund at June 30, 2018 was \$6.9 million or 23.5% of 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 \$9.5 million represents 47.1% of General Fund expenditures.

The General Fund fund balance increase of \$3.6 million from fiscal year 2018 is partly due to tax revenue increasing \$1.4 million which is a combination of sales, franchise, and in lieu tax revenues. In addition, fund balance increased due to a reduction of amounts transferred to the Capital Improvements Fund. Expenditures also increased slightly from the prior year by \$0.7 million.

The Streets Fund is used to account for the state shared revenues restricted for street and highway purposes. The fund balance at June 30, 2019 was \$0.8 million. The Streets Fund received a transfer of \$0.3 million from the General Fund to supplement the cost of street improvement projects. The Streets Fund fund balance increased from the prior year due to the timing of streets projects. While the City plans to perform street rehabilitation and pavement preservation for an average of 4.5 to 5.0 miles per year, the actual miles maintained each year are expected to vary based on the projects of highest priority need.

The Transportation Sales Tax Fund is used to account for the half-cent sales tax dedicated to transportation projects and related administrative and operation costs. The fund balance at June 30, 2019 was \$4.0 million. The Transportation Sales Tax Fund fund balance increased due to the prioritization of balances in the Capital Improvements Fund assigned to transportation projects to be used first.

The Capital Improvements Fund fund balance decreased \$1.3 million, due to the utilization of balances accumulated for planned capital projects.

The nonmajor governmental funds reported an increase in fund balance of \$0.5 million. This increase was a result a planned accumulation of monies to be used 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 \$9.9 million. For fiscal year 2019, the change in net position for the Wastewater Fund was \$3.3 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 miscellaneous transfers between departments, use of contingency funds, and a correction of fee study costs to be paid from the Development Impact Fees Fund, a nonmajor fund.

The actual expenditures reflected a favorable variance to the final budget in the amount of \$2.2 million (10.0%) less than the total appropriations. In fiscal year 2018, actual expenditures showed a favorable variance to final budget in the amount of \$2.1 million (9.8% less).

Unspent contingencies were approximately \$0.7 million. Public Works expenditures were under the budgeted amount by \$0.4 million due to conservative practices for parks, streets, and facilities maintenance needs. Police Department expenditures were under the budgeted amount by \$0.3 million primarily due to the vacancy savings. Municipal Court expenditures were under the budgeted amount by \$0.2 million primarily due to delays in the court relocation project.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

Total revenues reflect a positive variance to budget in the amount of \$1.4 million (5.0%) for fiscal year 2019 and a positive variance of \$1.1 million (4.3%) in fiscal year 2018.

Sales tax revenues exceeded the budget amount by \$0.3 million as a result of increased tourism and consumer spending above projected levels as well as increases in short-term rental activity. Contributions exceeded the budget amount by \$0.6 due to one-time unbudgeted in-lieu contributions collected for affordable housing.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2019 and 2018 amount to \$152.4 million and \$149.0 million, respectively (net of accumulated depreciation). The net increase in capital assets (net of accumulated depreciation) was \$3.3 million, due to large construction projects in progress for roadway and drainage improvements. 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, 2019 AND 2018**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018 as restated	2019	2018 as restated	2019	2018 as restated
Land	\$ 8,790,846	\$ 8,790,846	\$ 11,159,413	\$ 11,159,413	\$ 19,950,259	\$ 19,950,259
Construction in progress	4,461,763	402,797	1,425,211	104,167	5,886,974	506,964
Land Improvements	7,588,772	7,741,158	36,018	36,755	10,222,473	7,777,913
Buildings and improvements	5,034,020	4,785,535	-	-	5,034,020	4,785,535
Wastewater system	-	-	89,802,856	93,096,240	89,802,856	93,096,240
Machinery, equipment and vehicles	1,183,946	1,566,821	373,511	461,891	1,557,457	2,028,712
Infrastructure	19,928,448	20,896,654	-	-	19,928,448	20,896,654
Total capital assets	<u>\$ 46,987,795</u>	<u>\$ 44,183,811</u>	<u>\$ 102,797,009</u>	<u>\$ 104,858,466</u>	<u>\$ 152,382,487</u>	<u>\$ 149,042,277</u>

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

- Various road, lighting, and pedestrian access improvement projects.
- Police radio infrastructure improvements project.
- Various drainage improvement projects.
- Energy efficiency building improvement projects.
- Lift station improvement projects.
- Wastewater reclamation plant tertiary filter upgrades project.
- Wastewater administration building remodel/expansion project.

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

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At the end of fiscal year 2019, City of Sedona, Arizona had total bonded debt outstanding of \$22.9 million (including related premium). At the end of fiscal year 2018, the City had bonded debt totaling \$28.2 million. All of the fiscal year 2019 total bonded debt was related to revenue bonds. An additional \$12.2 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, 2019 were \$0.6 million.

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, 2019, is \$23.7 million in the 6% capacity and \$79.0 million in the 20% capacity. In fiscal year 2018, the 6% capacity limit was \$22.6 million, and the 20% capacity limit was \$75.4 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 11 on pages 57 - 59 of the financial statements for further information regarding long-term debt.

**CITY OF SEDONA, ARIZONA
OUTSTANDING OBLIGATIONS
JUNE 30, 2019 AND 2018**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenue obligation bonds	\$ 7,550,000	\$ 8,790,000	\$ 15,302,582	\$ 19,388,665	\$ 22,852,582	\$ 28,178,665
Capital appreciation bond interest	-	-	12,189,283	11,259,315	12,189,283	11,259,315
Installment purchase	-	10,945	-	-	-	10,945
Capital leases	619,579	415,113	-	-	619,579	415,113
Total outstanding debt	<u>\$ 8,169,579</u>	<u>\$ 9,216,058</u>	<u>\$ 27,491,865</u>	<u>\$ 30,647,980</u>	<u>\$ 35,661,444</u>	<u>\$ 39,864,038</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 2019-20 budgeted General Fund expenditures (including inter-fund transfers) are balanced with anticipated revenue. The total adopted fiscal year 2019-20 budget is \$51.4 million, which includes capital projects of \$14.0 million. The budget for fiscal year 2020 also includes the following:

- The overall salary budgets were increased for an average merit increase of approximately 2.6%.
- One of the high priorities of the City Council is to address affordable housing concerns. The fiscal year 2020 budget includes a \$2.0 million contingency pending development of a plan for addressing concerns.
- Other additions to the fiscal year 2020 budget included five new full-time positions, one new part-time position, additional funding for Sedona Recycles, Inc., a dump truck/snow plow, and a closed circuit television (CCTV) camera van for the Wastewater Department.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and investments	\$ 36,182,250	\$ 22,942,302	\$ 59,124,552
Restricted assets	7,100	16,750	23,850
Receivables, net of allowance for uncollectibles			
Taxes, net	3,649,882	-	3,649,882
Accounts, net	372,061	599,305	971,366
Accrued interest	101,669	43,333	145,002
Internal balances	(23,918)	23,918	-
Due from other government units	175,825	-	175,825
Prepaid items	19,143	-	19,143
Net pension/OPEB asset	141,500	2,571	144,071
Capital assets:			
Nondepreciable	13,252,609	12,584,624	25,837,233
Depreciable	33,735,186	90,212,385	123,947,571
Total assets	<u>87,613,307</u>	<u>126,425,188</u>	<u>214,038,495</u>
Deferred outflows of resources			
Deferred outflows related to pensions/OPEB	3,376,598	210,902	3,587,500
Deferred charges on debt refunding	393,585	125,916	519,501
Total deferred outflows of resources	<u>3,770,183</u>	<u>336,818</u>	<u>4,107,001</u>
Liabilities			
Accounts payable	1,474,506	230,869	1,705,375
Construction contracts payable	970,224	672,868	1,643,092
Accrued wages and benefits	201,448	24,361	225,809
Interest payable	91,541	214,888	306,429
Matured debt principal payable	1,240,000	4,000,000	5,240,000
Retainage payable	37,310	74,864	112,174
Due to other governmental units	26,079	-	26,079
Deposits payable	15,664	16,750	32,414
Unearned revenue	18,450	73,154	91,604
Non-current liabilities			
Due within one year	1,488,233	1,453,421	2,941,654
Due in more than one year	19,572,023	27,096,392	46,668,415
Total liabilities	<u>25,135,478</u>	<u>33,857,567</u>	<u>58,993,045</u>
Deferred inflows of resources			
Deferred inflows related to pensions/OPEB	1,391,039	124,368	1,515,407
Net position			
Net investment in capital assets	36,964,267	82,872,611	119,836,878
Restricted for			
Net pension/OPEB asset	141,500	2,571	144,071
Streets	693,941	-	693,941
Court improvements	49,224	-	49,224
Criminal case processing	46,192	-	46,192
Police Department programs	53,678	-	53,678
Parks improvements	2,232,232	-	2,232,232
Flood control	98,629	-	98,629
Police improvements	83,042	-	83,042
Summit CFD improvements	350,801	-	350,801
Fairfield CFD improvements	155,322	-	155,322
Unrestricted	23,988,145	9,904,889	33,893,034
Total net position	<u>\$ 64,856,973</u>	<u>\$ 92,780,071</u>	<u>\$ 157,637,044</u>

See accompanying Notes to the Financial Statements.

**CITY OF SEDONA, ARIZONA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government							
Governmental activities							
General government	\$ 2,974,989	\$ 674,910	\$ 646,793	\$ -	\$ (1,653,286)	\$ -	\$ (1,653,286)
Public safety	6,836,072	617,090	10,091	28,405	(6,180,486)	-	(6,180,486)
Public works and streets	5,488,876	16,044	988,814	1,198,452	(3,285,566)	-	(3,285,566)
Culture and recreation	2,521,273	138,768	43,580	171,409	(2,167,516)	-	(2,167,516)
Economic development	2,424,664	-	26,500	-	(2,398,164)	-	(2,398,164)
Health and welfare	492,083	-	9,195	-	(482,888)	-	(482,888)
Public transportation	202,363	855	-	148,617	(52,891)	-	(52,891)
Interest on long-term debt	281,913	-	-	-	(281,913)	-	(281,913)
Total governmental activities	21,222,233	1,447,667	1,724,973	1,546,883	(16,502,710)	-	(16,502,710)
Business-type activities							
Wastewater	8,691,487	6,251,954	-	573,380	-	(1,866,153)	(1,866,153)
Total primary government	<u>\$ 29,913,720</u>	<u>\$ 7,699,621</u>	<u>\$ 1,724,973</u>	<u>\$ 2,120,263</u>	(16,502,710)	(1,866,153)	(18,368,863)
General Revenues							
Taxes							
Sales taxes					\$ 26,180,070	\$ -	\$ 26,180,070
Franchise taxes					807,465	-	807,465
In lieu taxes					655,721	-	655,721
Unrestricted state revenue sharing					1,251,688	-	1,251,688
Unrestricted state sales tax revenue sharing					1,039,635	-	1,039,635
Unrestricted auto lieu tax revenue sharing					662,935	-	662,935
Investment earnings					1,003,210	620,971	1,624,181
Other					87,431	18,207	105,638
Transfers					(4,599,709)	4,599,709	-
Total general revenues and transfers					<u>27,088,446</u>	<u>5,238,887</u>	<u>32,327,333</u>
Change in net position					10,585,736	3,372,734	13,958,470
Net position - beginning, as restated					<u>54,271,237</u>	<u>89,407,337</u>	<u>143,678,574</u>
Net position - ending					<u>\$ 64,856,973</u>	<u>\$ 92,780,071</u>	<u>\$ 157,637,044</u>

See accompanying Notes to the Financial Statements.

**CITY OF SEDONA, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General	Streets	Transportation Sales Tax	Capital Improvements	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 11,988,812	\$ 1,653,412	\$ 3,779,116	\$ 14,521,246	\$ 3,771,403	\$ 35,713,989
Receivables, net of allowance for uncollectibles						
Taxes	3,364,085	-	254,502	-	31,295	3,649,882
Accounts	247,061	-	-	125,000	-	372,061
Accrued interest	28,178	4,983	12,146	43,723	11,466	100,496
Due from other government units	59,622	89,825	-	21,378	5,000	175,825
Prepaid items	11,683	-	-	-	-	11,683
Total assets	<u>\$ 15,699,441</u>	<u>\$ 1,748,220</u>	<u>\$ 4,045,764</u>	<u>\$ 14,711,347</u>	<u>\$ 3,819,164</u>	<u>\$ 40,023,936</u>
Liabilities						
Accounts payable	\$ 504,818	\$ 945,767	\$ 235	\$ -	\$ 1,610	\$ 1,452,430
Construction contracts payable	31,125	-	-	927,572	11,527	970,224
Accrued wages and benefits	190,391	-	1,451	-	-	191,842
Interest payable	91,510	-	-	-	31	91,541
Matured debt principal payable	1,230,523	-	-	-	9,477	1,240,000
Retainage payable	-	-	-	37,310	-	37,310
Due to other government units	26,079	-	-	-	-	26,079
Deposits payable	15,664	-	-	-	-	15,664
Unearned revenue	4,745	-	-	-	13,705	18,450
Total liabilities	<u>2,094,855</u>	<u>945,767</u>	<u>1,686</u>	<u>964,882</u>	<u>36,350</u>	<u>4,043,540</u>
Deferred Inflows of Resources						
Deferred inflows - unavailable revenue	228,067	-	-	133,878	-	361,945
Fund Balances (Deficits)						
Nonspendable	11,683	-	-	-	-	11,683
Restricted	95,416	31,850	-	-	3,635,795	3,763,061
Committed	1,619,954	-	4,044,078	-	136,738	5,800,770
Assigned	2,195,394	770,603	-	13,612,587	49,422	16,628,006
Unassigned	9,454,072	-	-	-	(39,141)	9,414,931
Total fund balances (deficits)	<u>13,376,519</u>	<u>802,453</u>	<u>4,044,078</u>	<u>13,612,587</u>	<u>3,782,814</u>	<u>35,618,451</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 15,699,441</u>	<u>\$ 1,748,220</u>	<u>\$ 4,045,764</u>	<u>\$ 14,711,347</u>	<u>\$ 3,819,164</u>	<u>\$ 40,023,936</u>

See accompanying Notes to the Financial Statements.

CITY OF SEDONA, ARIZONA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET POSITION
JUNE 30, 2019

Total Fund Balances for Governmental Funds	\$ 35,618,451
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), intergovernmental revenues, and other miscellaneous 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.	361,945
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Governmental capital assets	73,641,052
Accumulated depreciation	(26,815,343)
Capital assets used in governmental activities	46,825,709
Net pension/OPEB assets held in trust for future benefits are not available for City operations and, therefore, are not reported in the funds.	140,306
Deferred outflows and inflows of resources related to pensions/OPEB and deferred charges on debt refundings are applicable to future periods and, therefore, are not reported in the funds.	
Deferred charges on debt refunding	393,585
Deferred outflows related to pensions/OPEB	3,269,712
Deferred inflows related to pensions/OPEB	(1,333,257)
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	168,252
Amount attributable to the business-type activities	(23,918)
Long term liabilities, including bonds payable 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	(7,550,000)
Compensated absences	(479,525)
Capital leases	(619,579)
Net pension/OPEB liability	(11,914,708)
Net position of governmental activities	\$ 64,856,973

See accompanying Notes to the Financial Statements.

CITY OF SEDONA, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General	Streets	Transportation Sales Tax	Capital Improvements	Nonmajor Funds	Total Governmental Funds
Revenues						
Taxes						
Sales taxes	\$ 23,207,869	\$ -	\$ 2,962,063	\$ -	\$ -	\$ 26,169,932
Franchise taxes	810,915	-	-	-	-	810,915
In lieu taxes	486,937	-	-	-	168,784	655,721
Intergovernmental	2,973,920	988,814	-	879,513	45,551	4,887,798
Fines and forfeitures	227,761	-	-	-	-	227,761
Licenses and permits	380,721	-	-	-	-	380,721
Charges for services	932,922	-	-	-	1,005	933,927
Contributions	626,200	-	-	50,000	48,445	724,645
Impact fees	-	-	-	-	292,546	292,546
Investment earnings	280,952	43,264	100,884	456,933	113,424	995,457
Other revenues	102,221	-	-	-	-	102,221
Total revenues	<u>30,030,418</u>	<u>1,032,078</u>	<u>3,062,947</u>	<u>1,386,446</u>	<u>669,755</u>	<u>36,181,644</u>
Expenditures						
Current						
General government	2,860,187	-	-	-	-	2,860,187
Public safety	7,043,163	-	-	-	8,086	7,051,249
Public works and streets	2,555,336	1,032,567	63,685	-	-	3,651,588
Culture and recreation	2,325,545	-	-	-	29,082	2,354,627
Economic development	2,399,005	-	-	-	27,500	2,426,505
Health and welfare	493,249	-	-	-	-	493,249
Public transportation	202,363	-	-	-	-	202,363
Debt service						
Principal retirement	1,410,500	-	-	-	9,477	1,419,977
Interest and fiscal charges	207,972	-	-	-	63	208,035
Capital outlay	573,903	-	-	4,481,715	79,153	5,134,771
Total expenditures	<u>20,071,223</u>	<u>1,032,567</u>	<u>63,685</u>	<u>4,481,715</u>	<u>153,361</u>	<u>25,802,551</u>
Excess (deficiency) of revenue over expenditures	<u>9,959,195</u>	<u>(489)</u>	<u>2,999,262</u>	<u>(3,095,269)</u>	<u>516,394</u>	<u>10,379,093</u>
Other Financing Sources (Uses)						
Transfers in	-	253,200	-	1,862,666	30,810	2,146,676
Transfers out	(6,716,575)	-	-	(29,810)	-	(6,746,385)
Issuance of capital lease	373,498	-	-	-	-	373,498
Proceeds from sale of assets	9,024	-	-	-	-	9,024
Total other financing sources (uses)	<u>(6,334,053)</u>	<u>253,200</u>	<u>-</u>	<u>1,832,856</u>	<u>30,810</u>	<u>(4,217,187)</u>
Net change in fund balances	3,625,142	252,711	2,999,262	(1,262,413)	547,204	6,161,906
Fund balances - beginning 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>
Fund balances - end of year	<u>\$ 13,376,519</u>	<u>\$ 802,453</u>	<u>\$ 4,044,078</u>	<u>\$ 13,612,587</u>	<u>\$ 3,782,814</u>	<u>\$ 35,618,451</u>

See accompanying Notes to the 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, 2019

Net Change in Fund Balances - Total Governmental Funds \$ 6,161,906

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	4,909,553
Less: Current year depreciation	(2,507,538)

The net effect of various miscellaenous transactions involving capital assets (i.e. capital contributions) is to increase net position.	353,446
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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, 2018	(506,806)
Unavailable revenue - June 30, 2019	361,945

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	1,240,000
Issuance of capital lease	(373,498)
Amortization on deferred amount on refunding	(73,878)
Principal payments on installment purchase	10,945
Principal payments on capital lease	169,032

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 of resources related to pensions/OPEB, and the investment experience.

Pension/OPEB expense	(1,364,718)
Pension/OPEB contributions	1,763,932

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 compensated absences	21,479
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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.

419,936

Change in net position - governmental activities	<u><u>\$ 10,585,736</u></u>
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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, 2019

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Sales taxes	\$ 22,947,600	\$ 22,947,600	\$ 23,207,869	\$ 260,269
Franchise taxes	771,800	771,800	810,915	39,115
In lieu taxes	456,100	456,100	486,937	30,837
Intergovernmental	2,966,100	2,966,100	2,973,920	7,820
Fines and forfeitures	193,740	193,740	227,761	34,021
Licenses and permits	348,620	348,620	380,721	32,101
Charges for services	823,580	823,580	932,922	109,342
Contributions	-	-	626,200	626,200
Investment earnings	85,100	85,100	280,952	195,852
Other revenues	11,450	11,450	102,221	90,771
Total revenues	<u>28,604,090</u>	<u>28,604,090</u>	<u>30,030,418</u>	<u>1,426,328</u>
Budgetary expenditures				
City Council	75,305	75,305	66,444	8,861
City Manager	3,175,077	3,147,619	3,034,193	113,426
Human Resources	311,110	311,110	246,933	64,177
Financial Services	1,089,800	1,089,300	1,023,835	65,465
City Attorney	630,640	636,323	546,348	89,975
City Clerk	333,975	333,975	301,097	32,878
Parks and Recreation	706,930	711,430	633,475	77,955
General Services	1,725,726	1,713,226	1,579,395	133,831
Community Development	1,586,475	1,581,136	1,476,633	104,503
Public Works	3,743,040	3,746,858	3,340,437	406,421
Economic Development	202,500	211,500	188,330	23,170
Police	5,473,586	5,473,586	5,161,436	312,150
Municipal Court	596,690	596,690	386,036	210,654
Indirect costs	516,700	516,700	667,806	(151,106)
Contingency	750,000	745,630	-	745,630
Debt service	1,415,414	1,415,414	1,415,874	(460)
Total expenditures	<u>22,332,968</u>	<u>22,305,802</u>	<u>20,068,272</u>	<u>2,237,530</u>
Excess (deficiency) of revenues over expenditures	<u>6,271,122</u>	<u>6,298,288</u>	<u>9,962,146</u>	<u>3,663,858</u>
Other Financing Sources (Uses)				
Transfers out	(6,990,000)	(6,991,000)	(6,716,575)	274,425
Sale of capital assets	16,600	16,600	9,024	(7,576)
Total other financing sources (uses)	<u>(6,973,400)</u>	<u>(6,974,400)</u>	<u>(6,707,551)</u>	<u>266,849</u>
Add back equipment replacement reserve	<u>379,700</u>	<u>379,700</u>	<u>370,547</u>	<u>(9,153)</u>
Net change in fund balance	(322,578)	(296,412)	3,625,142	3,921,554
Fund balance - beginning of year	<u>8,822,919</u>	<u>8,822,919</u>	<u>9,751,377</u>	<u>928,458</u>
Fund balance - end of year	<u>\$ 8,500,341</u>	<u>\$ 8,526,507</u>	<u>\$ 13,376,519</u>	<u>\$ 4,850,012</u>

See accompanying Notes to the 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, 2019

	<u>Budget</u>		
	<u>Original and</u>		<u>Variance with</u>
	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues			
Intergovernmental	\$ 933,200	\$ 988,814	\$ 55,614
Investment earnings	19,020	43,264	24,244
Total revenues	<u>952,220</u>	<u>1,032,078</u>	<u>79,858</u>
Expenditures			
Current			
Public works and streets	1,207,380	1,032,567	174,813
Total expenditures	<u>1,207,380</u>	<u>1,032,567</u>	<u>174,813</u>
Excess (deficiency) of revenues over expenditures	(255,160)	(489)	254,671
Other Financing Sources			
Transfers in	<u>253,200</u>	<u>253,200</u>	<u>-</u>
Net change in fund balance	(1,960)	252,711	254,671
Fund balance - beginning of year	<u>544,241</u>	<u>549,742</u>	<u>5,501</u>
Fund balance - end of year	<u>\$ 542,281</u>	<u>\$ 802,453</u>	<u>\$ 260,172</u>

See accompanying Notes to the Financial Statements.

CITY OF SEDONA, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET
AND ACTUAL
TRANSPORTATION SALES TAX FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>		Variance with Final Budget
	Original and Final	Actual	
Revenues			
Sales taxes	\$ 2,976,900	\$ 2,962,063	\$ (14,837)
Investment earnings	44,650	100,884	56,234
Total revenues	<u>3,021,550</u>	<u>3,062,947</u>	<u>41,397</u>
Expenditures			
Current			
Public works and streets	100,920	63,685	37,235
Total expenditures	<u>100,920</u>	<u>63,685</u>	<u>37,235</u>
Excess (deficiency) of revenues over expenditures	2,920,630	2,999,262	78,632
Fund balance - beginning of year	<u>1,101,870</u>	<u>1,044,816</u>	<u>(57,054)</u>
Fund balance - end of year	<u>\$ 4,022,500</u>	<u>\$ 4,044,078</u>	<u>\$ 21,578</u>

See accompanying Notes to the Financial Statements.

**CITY OF SEDONA, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019**

	Business-Type Activities	Governmental Activities
	Wastewater Enterprise Fund	Internal Service Fund
Assets		
Current assets		
Cash and investments	\$ 22,942,302	\$ 475,361
Restricted assets	16,750	-
Receivables, net of allowance for uncollectibles		
Accounts	599,305	-
Accrued interest	43,333	1,173
Prepaid items	-	7,460
Total current assets	<u>23,601,690</u>	<u>483,994</u>
Noncurrent assets		
Net pension/OPEB asset	2,571	1,194
Capital assets		
Nondepreciable	12,584,624	-
Depreciable (net)	90,212,385	162,086
Total noncurrent assets	<u>102,799,580</u>	<u>163,280</u>
Total assets	<u>126,401,270</u>	<u>647,274</u>
Deferred outflows of resources		
Deferred outflows related to pensions/OPEB	210,902	106,886
Deferred charges on debt refunding	125,916	-
Total deferred outflows of resources	<u>336,818</u>	<u>106,886</u>
Liabilities		
Current liabilities		
Accounts payable	230,869	22,076
Construction contracts payable	672,868	-
Accrued wages and benefits	24,361	9,606
Interest payable	214,888	-
Matured debt principal payable	4,000,000	-
Compensated absences payable, current	53,421	25,251
Retainage payable	74,864	-
Bonds payable, current	1,400,000	-
Deposits payable	16,750	-
Unearned revenue	73,154	-
Total current liabilities	<u>6,761,175</u>	<u>56,933</u>
Noncurrent liabilities		
Compensated absences payable	15,433	11,653
Capital appreciation bond interest	12,189,283	-
Bonds payable	13,902,582	-
Net pension/OPEB liability	989,094	459,540
Total noncurrent liabilities	<u>27,096,392</u>	<u>471,193</u>
Total liabilities	<u>33,857,567</u>	<u>528,126</u>
Deferred inflows related to pensions/OPEB		
	<u>124,368</u>	<u>57,782</u>
Net position		
Net investment in capital assets	82,872,611	162,086
Restricted for net pension/OPEB asset	2,571	1,194
Unrestricted	9,880,971	4,972
Total net position	<u>92,756,153</u>	<u>\$ 168,252</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time	<u>23,918</u>	
Net position of business-type activities (page 31)	<u>\$ 92,780,071</u>	

See accompanying Notes to the Financial Statements.

CITY OF SEDONA, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities	Governmental Activities
	Wastewater Enterprise Fund	Internal Service Fund
Operating Revenues		
Charges for services	\$ 6,250,964	\$ 1,787,858
Other revenues	19,197	-
Total operating revenues	6,270,161	1,787,858
Operating Expenses		
Salaries and employee benefits	1,370,777	433,263
Supplies and other	2,506,693	822,101
Depreciation	3,540,871	92,549
Total operating expenses	7,418,341	1,347,913
Operating income (loss)	(1,148,180)	439,945
Nonoperating Revenues (Expenses)		
Investment earnings	620,971	7,753
Interest expense	(1,300,908)	-
Total nonoperating revenues (expenses)	(679,937)	7,753
Income (loss) before capital contributions and transfers	(1,828,117)	447,698
Capital contributions - capacity fees	507,169	-
Capital contributions - developer-contributed sewer lines	66,211	-
Transfers in	4,599,709	-
Change in net position (a)	3,344,972	447,698
Net position (deficit), beginning of year, as restated	89,411,181	(279,446)
Net position, end of year	\$ 92,756,153	\$ 168,252
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise fund (b)	27,762	
Changes in net position of business-type activities (a) - (b) (page 32)	\$ 3,372,734	

See accompanying Notes to the Financial Statements.

**CITY OF SEDONA, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
Cash flows from operating activities		
Receipts from customers	\$ 6,281,001	\$ 669
Receipts from other funds for goods and services provided	33,987	1,787,189
Receipt of customer deposits	10,500	-
Payments to suppliers and service providers	(2,121,844)	(560,994)
Payments for employee wages and benefits	(1,319,799)	(573,138)
Payments to other funds for services provided	(768,914)	(312,200)
Return of customer deposits	(8,000)	-
Net cash provided by (used for) operating activities	<u>2,106,931</u>	<u>341,526</u>
Cash flows from noncapital financing activities		
Transfers from other funds	<u>4,599,709</u>	<u>-</u>
Cash flows from capital and related financing activities		
Capacity fees	507,169	-
Refund of unearned capacity fees	(609,464)	-
Acquisition and construction of capital assets	(665,471)	(141,073)
Principal paid on capital debt	(3,920,000)	-
Interest paid on capital debt	(464,516)	-
Net cash provided by (used for) capital and related financing activities	<u>(5,152,282)</u>	<u>(141,073)</u>
Cash flows from investing activities		
Interest on investments	<u>616,107</u>	<u>7,459</u>
Net change in cash and cash equivalents	2,170,465	207,912
Cash and cash equivalents - beginning of year (including \$14,250 for Wastewater Fund reported in restricted accounts)	<u>20,788,587</u>	<u>267,449</u>
Cash and cash equivalents - end of year (including \$16,750 for Wastewater Fund reported in restricted accounts)	<u>\$ 22,959,052</u>	<u>\$ 475,361</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities		
Operating income (loss)	\$ (1,148,180)	\$ 439,945
Adjustments to reconcile operating income (loss) to net cash from operating activities		
Depreciation expense	3,540,871	92,549
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable, net	40,223	-
Prepaid items	7,836	(6,926)
Net pension/OPEB asset	915	990
Deferred outflows of resources related to pensions/OPEB	(14,664)	3,077
Accounts payable	(391,901)	(44,167)
Accrued wages and benefits	3,306	88
Deposits payable	2,500	-
Unearned revenue	4,604	-
Compensated absences payable	4,378	426
Net pension/OPEB liability	(3,730)	(162,400)
Deferred inflows of resources related to pensions/OPEB	60,773	17,944
Net cash provided by (used for) operating activities	<u>\$ 2,106,931</u>	<u>\$ 341,526</u>
Noncash investing, capital, and noncapital financing activities		
Amortization of bond premiums	\$ (86,083)	-
Amortization of deferred amounts on refunding	17,987	-
Amortization of capital appreciation bonds	929,968	-
Contributions of capital assets	66,211	-

See accompanying Notes to the Financial Statements.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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.

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.

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*.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

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).

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.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. Summary of Significant Accounting Policies (Continued)

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

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 types:

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.

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.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. Summary of Significant Accounting Policies (Continued)

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

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. After the implementation of GASB 89, the City 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

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 2019, the City paid for compensated absences as follows: 83% from the General Fund, 11% from major funds, and 6% from other funds.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. Summary of Significant Accounting Policies (Continued)

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

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. Postemployment Benefits

For purposes of measuring the net pension and other post employment 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, 2019 or within 60 days of fiscal year end. The deferred inflows of resources represent a reconciling item between the governmental fund financial statements and the government-wide financial statements.

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

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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 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 (excluding any other committed or assigned fund balances for specific purposes) shall be not less than 0% and not more than 10% of the total budgeted expenditures of the fund.

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.

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.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

2. Stewardship, Compliance, and Accountability (Continued)

A. Budgetary Information (Continued)

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.

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 \$216,253 and the bank balance was \$285,399. At year-end, \$250,000 of the City's deposits was covered by federal depository insurance and the remaining \$35,399 was collateralized by the Arizona State Treasurer's pooled collateral program.

**CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

3. Deposits and Investments (Continued)

Total cash and investments at fair value as reported at June 30, 2019, are as follows:

Deposits	
Cash on hand	\$ 12,120
Cash in bank	216,253
Cash held by paying agent	4,786,366
Investments	
State Treasurer's investment pool	24,758,709
Negotiable certificates of deposit	4,692,659
Money market funds	2,482,840
U.S. agency securities	<u>22,199,455</u>
Total deposits and investments	59,148,402
Restricted assets	<u>(23,850)</u>
Total deposits and investments	<u><u>\$59,124,552</u></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.

	Investment maturities (in years)			
	Amount	Less than 1	1 - 3	4-5
U.S. agency securities	\$ 22,199,455	\$ 1,026,234	\$ 14,171,895	\$ 7,001,326
Money market funds	2,482,840	2,482,840	-	\$ -
Negotiable certificates of deposit	4,692,659	740,659	2,717,000	1,235,000
State Treasurer's investment pools	24,758,709	15,849,989	8,908,720	\$ -
Total investments	<u>\$ 54,133,663</u>	<u>\$ 20,099,722</u>	<u>\$ 25,797,615</u>	<u>\$ 8,236,326</u>

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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. The City’s investment rating based on investment type is shown below:

	Rating	Rating Agency	Fair Value
U.S. agency securities	AA+	Moody's	\$ 22,199,455
Money market funds	AAm	S&P	2,482,840
Negotiable certificates of deposit	N/R	N/R	4,692,659
State Treasurer’s Investment Pool 5	AAAf/S1+	S&P	15,810,131
State Treasurer’s Investment Pool 7	N/R	N/R	39,858
State Treasurer’s Investment Pool 500	N/R	N/R	8,908,720
			<u>\$ 54,133,663</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	\$ 22,199,455	41.01 %
Money market funds	2,482,840	4.58 %
Negotiable certificates of deposit	4,692,659	8.67 %
State Treasurer’s investment pools	24,758,709	45.74 %
Total investments	<u>\$ 54,133,663</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 the Arizona State Treasurer’s 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, 2019.

It is the investment strategy of the Arizona State Treasurer to maintain safety in principal, maintain liquidity to meet cash flow needs, and provide competitive investment returns. LGIP Pool 5 and LGIP Pool 7 investments can be redeemed on any business day while and LGIP Pool 500 can only be redeemed on the first day of each month. There are no unfunded commitments, no circumstances in which otherwise redeemable investments might not be redeemable, and no other significant restrictions at the measurement date on the ability to sell investments. The portfolio manager strives to maintain a NAV of \$1.00 for Pools 5 and 7, but for Pool 500 the NAV is a floating price and will fluctuate from its \$1 target based on factors such as pool cash flows and market activity.

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.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

3. Deposits and Investments (Continued)

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

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

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 would use in pricing the asset.

The City’s investments were measured as follows at June 30, 2019:

	June 30, 2019	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	\$ 22,199,455	\$ -	\$ 22,199,455	\$ -
Negotiable certificates of deposit	4,692,659	-	4,692,659	-
Total investments by fair value level	<u>26,892,114</u>	<u>\$ -</u>	<u>\$ 26,892,114</u>	<u>\$ -</u>
Investments Measured at Fair Value				
State Treasurer’s Investment Pools	<u>24,758,709</u>			
Total investments measured at fair value	<u>51,650,823</u>			
Investments Measured at Amortized Cost				
Money market funds	<u>2,482,840</u>			
Total investments	<u>\$ 54,133,663</u>			

Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the City held. The fair value of a participant's position in the pools approximates the value of the participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools. Other investments are categorized by method of fair value measurement into three levels: level 1 - quoted prices in active markets for identical assets, level 2 - significant other observable inputs, and level 3 - significant unobservable inputs. All of the City's investments fall in level 2 and are valued using market quotes from the safekeeping agent.

4. Restricted Cash and Investments

Restricted cash and investments at June 30, 2019 consist of \$23,850 of customer deposits.

**CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

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:

	Unavailable	Unearned
General Fund		
Court fines receivable	\$ 203,846	\$ -
Sales tax receivable	24,221	-
Miscellaneous unearned fees	-	4,745
Capital Improvements Fund		
Miscellaneous receivable	133,878	-
Nonmajor Governmental Funds		
Grant advances prior to meeting all eligibility requirements	-	13,705
Governmental funds balance sheet total	\$ 361,945	\$ 18,450

Approximately \$152,885 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, \$62,500 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, 2019

6. Capital Assets

A. Governmental Activities

Capital asset activity for governmental activities for the year ended June 30, 2019, was as follows:

	Balance as of June 30, 2018 as restated	Additions	Deductions	Balance as of June 30, 2019
Capital assets, not being depreciated				
Land	\$ 8,790,846	\$ -	\$ -	\$ 8,790,846
Construction in progress	402,797	4,323,991	(265,025)	4,461,763
Total capital assets, not being depreciated	<u>9,193,643</u>	<u>4,323,991</u>	<u>(265,025)</u>	<u>13,252,609</u>
Capital assets, being depreciated				
Land improvements	10,338,841	136,871	-	10,475,712
Building and improvements	8,746,843	565,586	-	9,312,429
Machinery, equipment, and vehicles	4,565,426	217,272	(88,620)	4,694,078
Infrastructure	36,293,251	425,376	-	36,718,627
Total capital assets, being depreciated	<u>59,944,361</u>	<u>1,345,105</u>	<u>(88,620)</u>	<u>61,200,846</u>
Less accumulated depreciation for				
Land improvements	(2,597,683)	(289,257)	-	(2,886,940)
Building and improvements	(3,961,308)	(317,099)	-	(4,278,407)
Machinery, equipment, and vehicles	(2,998,605)	(600,154)	88,620	(3,510,139)
Infrastructure	(15,396,597)	(1,393,577)	-	(16,790,174)
Total accumulated depreciation	<u>(24,954,193)</u>	<u>(2,600,087)</u>	<u>88,620</u>	<u>(27,465,660)</u>
Total capital assets, being depreciated, net	<u>34,990,168</u>	<u>(1,254,982)</u>	<u>-</u>	<u>33,735,186</u>
Governmental activities capital assets, net	<u>\$ 44,183,811</u>	<u>\$ 3,069,009</u>	<u>\$ (265,025)</u>	<u>\$ 46,987,795</u>

The beginning balances of land improvements and building and improvements were restated by \$1,253,289 and 123,395, respectively, for assets reclassified from infrastructure. In addition, the beginning balances of machinery, equipment, and vehicles, and accumulated depreciation for machinery, equipment, and vehicles were restated by \$49,579 and (\$49,579) due to corrections of an error.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

6. Capital Assets (Continued)

B. Business-Type Activities

Capital asset activity for business-type activities for the year ended June 30, 2019, was as follows:

	Balance as of June 30, 2018 as restated	Additions	Deductions	Balance as of June 30, 2019
Capital assets, not being depreciated				
Land	\$ 11,159,413	\$ -	\$ -	\$ 11,159,413
Construction in progress	104,167	1,327,058	(6,014)	1,425,211
Total capital assets, not being depreciated	<u>11,263,580</u>	<u>1,327,058</u>	<u>(6,014)</u>	<u>12,584,624</u>
Capital assets, being depreciated				
Land improvements	36,755	-	-	36,755
Wastewater system	138,955,420	72,228	-	139,027,648
Machinery, equipment, and vehicles	<u>5,357,663</u>	<u>86,142</u>	-	<u>5,443,805</u>
Total capital assets, being depreciated	<u>144,349,838</u>	<u>158,370</u>	-	<u>144,508,208</u>
Less accumulated depreciation for				
Land improvements	-	(737)	-	(737)
Wastewater system	(45,859,180)	(3,365,612)	-	(49,224,792)
Machinery, equipment, and vehicles	<u>(4,895,772)</u>	<u>(174,522)</u>	-	<u>(5,070,294)</u>
Total accumulated depreciation	<u>(50,754,952)</u>	<u>(3,540,871)</u>	-	<u>(54,295,823)</u>
Total capital assets, being depreciated, net	<u>93,594,886</u>	<u>(3,382,501)</u>	-	<u>90,212,385</u>
Business-type activities capital assets, net	<u>\$ 104,858,466</u>	<u>\$ (2,055,443)</u>	<u>\$ (6,014)</u>	<u>\$ 102,797,009</u>

The beginning balance of wastewater system and accumulated depreciation for wastewater system were restated by \$12,843,555 and (\$4,733,959), respectively due to previously unrecorded sewer lines that were constructed by developers and contributed to the City in prior years. In addition, wastewater system; machinery, equipment, and vehicles; and accumulated depreciation for machinery, equipment, and vehicles were restated by (\$10,304), (\$21,871) and \$32,175 due to corrections of an error.

C. Depreciation Expense

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General government	\$ 264,008
Public safety	415,758
Public works and streets	1,682,315
Culture and recreation	145,457
Internal service fund	<u>92,549</u>
Total governmental activities depreciation expense	<u>\$ 2,600,087</u>
Business-type Activities	
Wastewater	<u>\$ 3,540,871</u>

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

7. Construction Commitments

The City has active construction projects at June 30, 2019. At fiscal year end, the City's commitments with contractors were as follows:

Project	Spent-to-date	Remaining Commitment
Governmental activities		
Juniper Hills Drainage Improvements	\$ 827,102	\$ 2,314
Uptown Roadway Improvements	805,965	4,094,650
Uptown Walkway Improvements	9,300	2,800
Little Elf Drive Drainage Improvements	1,877,340	4,610
Portal Lane/Ranger Road Connection	44,170	42,730
Uptown Wayfinding Improvements	44,795	46,830
Police Department Radio Signal Project	222,804	4,940
Schnebly Hill Shared Use Path Project	2,270	30,373
Dry Creek Road Shared Use Path Project	318	7,640
Total governmental activities	<u>\$ 3,834,064</u>	<u>\$ 4,236,887</u>
Project	Spent to Date	Remaining Commitment
Business-type activities		
Mystic Hills/Chapel Lift Station Improvements	\$ 636,434	\$ 1,850,561
Tertiary Filters Upgrade	531,220	1,150,569
Wastewater Administration Building Remodel/Expansion	257,557	112,169
Total business-type activities	<u>\$ 1,425,211</u>	<u>\$ 3,113,299</u>

8. Interfund Receivables, Payables, and Transfers

Interfund transfers for the year ended June 30, 2019 consisted of the following:

Transfers to	Transfers from		
	General Fund	Capital Improvements Fund	Total
Streets Fund	\$ 253,200	\$ -	\$ 253,200
Capital Improvements Fund	1,862,666	-	1,862,666
Nonmajor Governmental Funds	1,000	29,810	30,810
Wastewater Fund	4,599,709	-	4,599,709
Totals	<u>\$ 6,716,575</u>	<u>\$ 29,810</u>	<u>\$ 6,746,385</u>

The transfer of \$253,200 from the General Fund to the Streets Fund was to support highway and street activity. The transfer of \$1,862,666 from the General Fund to the Capital Improvements Fund was comprised of an annual transfer of \$1,500,000 to support capital projects, \$261,671 of bed tax revenues dedicated to tourism management transferred to transportation improvement projects, and a transfer of \$100,995 of paid parking revenues dedicated to improvements in uptown.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

The transfer of \$29,810 from the Capital Improvements Fund to the nonmajor governmental funds was made to move 1% of construction costs to the Art in Public Places Fund, a nonmajor governmental fund, based on City policy. The transfer of \$1,000 from the General Fund to the Grants & Donations Fund was a matching requirement for a grant. Lastly, the transfer of \$4,599,709 from the General Fund to the Wastewater Fund was for sales tax collected and transferred to the Wastewater Fund to support operations.

9. Obligations Under Capital Leases

The City acquired vehicles and building improvements under the provisions of long-term lease agreements classified as capital leases. Accordingly, the principal amount of the assets totaling \$1,078,816 are capitalized as governmental activities.

The assets acquired are as follows:

Governmental activities	
Motor vehicles	\$ 706,818
Building improvements	371,998
Less: accumulated depreciation	<u>(404,306)</u>
Total	<u><u>\$ 674,510</u></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>
2020	\$ 225,415
2021	108,809
2022	37,222
2023	37,963
2024	38,719
2025 to 2029	204,524
2030 to 2031	<u>77,554</u>
Total minimum payments	730,206
Less: Amount representing interest	<u>(110,627)</u>
Present value of net minimum payments	<u><u>\$ 619,579</u></u>

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

10. Bonds Payable

The following is a list of revenue obligation bonds outstanding as of June 30, 2019.

Description	Original Issue Amount	Interest rate	Maturity date	Amount
Governmental activities				
Revenue bonds				
Excise Tax Revenue Refunding Bonds, Second Series 2015	\$ 8,030,000	1.94%	7/1/20-27	\$ 7,550,000
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
Total business-type activities revenue bonds	49,430,000			14,700,000
Total revenue bonds	\$ 57,460,000			\$ 22,250,000

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, 2019 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 \$22,250,000 in excise tax revenue refunding bonds, plus \$18,377,883 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 \$27,603,656. In the current year, total principal paid was \$5,240,000 and interest paid was \$611,587.

Debt service requirements on bonds payable at June 30, 2019 are as follows:

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
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	945,000	75,854	1,130,000	3,557,775
2025-2027	2,965,000	115,721	8,395,000	570,825
Totals	\$ 7,550,000	\$ 673,180	\$ 14,700,000	\$ 17,704,703

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

11. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended June 30, 2019, are as follows:

	July 1, 2018	Increases	Decreases	June 30, 2019	Due within one year
Governmental activities					
Bonds payable					
Revenue bonds	\$ 8,790,000	\$ -	\$ (1,240,000)	\$ 7,550,000	\$ 885,000
Other liabilities					
Compensated absences	537,482	493,564	(514,617)	516,429	403,257
Installment purchases	10,945	-	(10,945)	-	-
Capital leases	415,113	373,498	(169,032)	619,579	199,976
Net pension/OPEB liability	13,296,580	-	(922,332)	12,374,248	-
Total other liabilities	<u>14,260,120</u>	<u>867,062</u>	<u>(1,616,926)</u>	<u>13,510,256</u>	<u>603,233</u>
Total governmental activities long-term obligations	<u>\$ 23,050,120</u>	<u>\$ 867,062</u>	<u>\$ (2,856,926)</u>	<u>\$ 21,060,256</u>	<u>\$ 1,488,233</u>
	July 1, 2018	Increases	Decreases	June 30, 2019	Due within one year
Business-type activities					
Bonds payable and related interest					
Revenue bonds	\$ 18,700,000	\$ -	\$ (4,000,000)	\$ 14,700,000	\$ 1,400,000
Capital appreciation bond interest	11,259,315	929,968	-	12,189,283	-
Premiums	688,665	-	(86,083)	602,582	-
Total bonds payable and related interest	<u>30,647,980</u>	<u>929,968</u>	<u>(4,086,083)</u>	<u>27,491,865</u>	<u>1,400,000</u>
Other liabilities:					
Compensated absences	64,476	35,628	(31,250)	68,854	53,421
Net pension/OPEB liability	992,824	-	(3,730)	989,094	-
Total other liabilities	<u>1,057,300</u>	<u>35,628</u>	<u>(34,980)</u>	<u>1,057,948</u>	<u>53,421</u>
Total business-type activities long-term obligations	<u>\$ 31,705,280</u>	<u>\$ 965,596</u>	<u>\$ (4,121,063)</u>	<u>\$ 28,549,813</u>	<u>\$ 1,453,421</u>

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

12. Fund Balance

The following represents the classifications of the City's fund balance for fiscal year ended June 30, 2019:

	General Fund	Streets Fund	Transportation Sales Tax Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total
Nonspendable						
Prepaid items	\$ 11,683	\$ -	\$ -	\$ -	\$ -	\$ 11,683
Restricted						
Streets	-	31,850	-	-	662,091	693,941
Court improvements	49,224	-	-	-	-	49,224
Criminal case processing	46,192	-	-	-	-	46,192
Police Department programs	-	-	-	-	53,678	53,678
Parks capital improvements	-	-	-	-	2,232,232	2,232,232
Flood control	-	-	-	-	98,629	98,629
Police capital improvements	-	-	-	-	83,042	83,042
Summit CFD capital improvements	-	-	-	-	350,801	350,801
Fairfield CFD capital improvements	-	-	-	-	155,322	155,322
Committed						
Affordable housing	1,449,050	-	-	-	-	1,449,050
Court enhancements	159,629	-	-	-	-	159,629
Tourism management and development	11,275	-	-	-	-	11,275
Military Park	-	-	-	-	8,995	8,995
Transportation projects	-	-	4,044,078	-	-	4,044,078
Art in public places	-	-	-	-	127,743	127,743
Assigned						
Debt service	300,000	-	-	-	-	300,000
Budget carryovers	408,510	-	-	-	-	408,510
Streets	-	770,603	-	-	-	770,603
Capital improvements	-	-	-	13,612,587	-	13,612,587
Equipment replacement	658,622	-	-	-	-	658,622
Uptown improvements	828,262	-	-	-	-	828,262
Anti-Work Task Force	-	-	-	-	1,900	1,900
Special events	-	-	-	-	18,562	18,562
Park benches	-	-	-	-	893	893
Police Explorers program	-	-	-	-	2,750	2,750
Police Department programs	-	-	-	-	6,378	6,378
Recreation programs	-	-	-	-	520	520
Regional benefit purposes	-	-	-	-	18,419	18,419
Unassigned	9,454,072	-	-	-	(39,141)	9,414,931
Totals	<u>\$ 13,376,519</u>	<u>\$ 802,453</u>	<u>\$ 4,044,078</u>	<u>\$ 13,612,587</u>	<u>\$ 3,782,814</u>	<u>\$ 35,618,451</u>

13. 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

**CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

13. Risk Management (Continued)

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.

14. 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, 2019, the City reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Statement of net position and statement of activities			
Net pension and OPEB asset	\$ 141,500	\$ 2,571	\$ 144,071
Net pension and OPEB liability	12,374,248	989,094	13,363,342
Deferred outflows of resources related to pensions and OPEB	3,376,598	210,902	3,587,500
Deferred inflows of resources related to pensions and OPEB	1,391,039	124,368	1,515,407
Pension and OPEB expense	1,401,034	78,164	1,479,198

The City's accrued payroll and employee benefits includes \$27,565 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2019. Also, the City reported \$1,620,468 of pension and OPEB contributions as expenditures in the governmental funds and \$82,357 of pension and OPEB contributions as expenses in the enterprise fund and \$47,163 of pension and OPEB contributions as expenses in the internal service fund related to all plans to which it contributes.

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.

**CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

14. Retirement Plans (Continued)

A. Arizona State Retirement System (Continued)

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 \$100 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, 2019**

14. 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, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.8 percent (11.64 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 11.8 percent (11.18 percent for retirement, 0.46 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 10.53 percent (10.41 percent for retirement, 0.06 percent for health insurance premium benefit, and 0.06 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, 2019, were \$715,706, \$29,448, and \$10,243, respectively.

During fiscal year 2019, the City paid for ASRS pension and OPEB contributions as follows: 78.5 percent from the General Fund, 14.5 percent from major funds, and 7.0 percent from other funds.

Liability - At June 30, 2019, 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	\$ 8,618,925
Health insurance premium benefit	(22,484)
Long-term disability	32,348

The net asset and net liabilities were measured as of June 30, 2018. 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, 2017, to the measurement date of June 30, 2018. The total liabilities as of June 30, 2018, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary increases from 3-6.75 percent to 2.7-7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates.

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, 2018. The City's proportions measured as of June 30, 2018, and the change from its proportions measured as of June 30, 2017, were:

	Proportion June 30, 2018	Increase/Decrease from June 30, 2017
Pension	0.06180 %	0.00333 %
Health insurance premium benefit	0.06244 %	0.00355 %
Long-term disability	0.06191 %	0.00340 %

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

14. Retirement Plans (Continued)

A. Arizona State Retirement System (Continued)

Expense - For the year ended June 30, 2019, the City recognized the following pension and OPEB expense.

	Pension/OPEB expense
Pension	\$ 649,411
Health insurance premium benefit	22,404
Long-term disability	11,863

Deferred outflows/inflows of resources - At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health insurance premium benefit		Long-term disability	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred Outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 237,444	\$ 47,515	\$ -	\$ 20,752	\$ 827	\$ -
Changes of assumptions or other inputs	228,072	764,185	43,361	-	7,007	-
Net difference between projected and actual earnings on plan investments	-	207,265	-	44,915	-	3,133
Changes in proportion and differences between City contributions and proportionate share of contributions	606,225	-	169	30	1,223	-
City contributions subsequent to the measurement date	715,706	-	29,448	-	10,243	-
Total	\$ 1,787,447	\$ 1,018,965	\$ 72,978	\$ 65,697	\$ 19,300	\$ 3,133

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, 2020. 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:

	Pension	Health insurance premium benefit	Long-term disability
Year ending June 30			
2020	\$ 462,067	\$ (8,677)	\$ 265
2021	(1,936)	(8,677)	265
2022	(314,405)	(8,677)	265
2023	(92,950)	894	1,104
2024	-	2,970	1,258
Thereafter	-	-	2,767

**CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

14. 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, 2017
Actuarial roll forward date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
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.

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 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 geometric 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 geometric real rate of return</u>
Equity	50 %	5.50%
Fixed income	30 %	3.83%
Real estate	20 %	5.85%
	<u>100 %</u>	

Discount rate - At June 30, 2018, the discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. 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, 2019**

14. 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 7.5 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 (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current discount rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's Proportionate share of the			
Net pension liability	\$ 12,286,476	\$ 8,618,925	\$ 5,554,746
Net insurance premium benefit liability (asset)	79,666	(22,484)	(109,496)
Net long-term disability liability	36,660	32,348	28,165

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) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and costsharing 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) which are not further disclosed because of their relative insignificance to the City's financial statements.

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, 2019**

14. 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:	
	Before January 1, 2012	On or After January 1, 2012 and before July 1, 2017
Retirement and disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited services, not to exceed 80%
Accidental disability retirement	50% of 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 based on inflation. 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 \$100 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, 2019**

14. Retirement Plans (Continued)

B. Public Safety Personnel Retirement System (Continued)

Employees covered by benefit terms - At June 30, 2018, 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	1
Active employees	25	25
Total	43	37

Contributions - 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, 2019, 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%	31.52 %	0.00 %

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 and employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to the City's required contributions to the PSPRS Tier 3 Risk Pool and PSPDCRP.

	Pension	Health Insurance premium benefit
PSPRS Police	19.31 %	0.00 %

The City's contributions to the plans for the year ended June 30, 2019, were:

	Pension	Health insurance premium benefit
PSPRS Police	\$ 994,591	\$ -

**CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

14. Retirement Plans (Continued)

B. Public Safety Personnel Retirement System (Continued)

During fiscal year 2019, the City paid for PSPRS pension and OPEB contributions 100 percent from the General Fund.

Liability - At June 30, 2019, the City reported the following assets and liabilities.

	Net Pension (asset) liability	Net OPEB (asset) liability
PSPRS Police	\$ 4,712,069	\$ (121,587)

The net assets and net liabilities were measured as of June 30, 2018, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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 \$358,000 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:

Actuarial valuation date	June 30, 2018
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
Cost-of-living adjustment	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2018, 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, 2019**

14. 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:

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

Discount rate - At June 30, 2018, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.4 percent, which was the same as the discount rate used as of June 30, 2017. 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, 2019

14. Retirement Plans (Continued)

B. Public Safety Personnel Retirement System (Continued)

Changes in the net pension/OPEB liability

	Pension increase (decrease)			Health insurance premium benefit increase (decrease)		
	Total	Plan	Net pension	Total OPEB	Plan	Net OPEB
	pension liability (a)	fiduciary net position (b)	(asset) liability (a) - (b)	liability (a)	fiduciary net position (b)	(asset) liability (a) - (b)
Balances at June 30, 2018	\$11,800,232	\$ 6,640,523	\$ 5,159,709	\$ 167,976	\$ 291,410	\$ (123,434)
Changes for the year						
Service cost	356,017	-	356,017	6,095	-	6,095
Interest on the total liability	868,127	-	868,127	12,499	-	12,499
Differences between expected and actual experience in the measurement of the liability	(232,384)	-	(232,384)	3,179	-	3,179
Contributions - employer	-	879,735	(879,735)	-	-	-
Contributions - employee	-	204,147	(204,147)	-	-	-
Net investment income	-	510,813	(510,813)	-	20,233	(20,233)
Benefit payments, including refunds of employee contributions	(493,585)	(493,585)	-	(4,244)	(4,244)	-
Administrative expense	-	(8,475)	8,475	-	(308)	308
Other changes	-	(146,820)	146,820	-	1	(1)
Net changes	498,175	945,815	(447,640)	17,529	15,682	1,847
Balances at June 30, 2019	<u>\$12,298,407</u>	<u>\$ 7,586,338</u>	<u>\$ 4,712,069</u>	<u>\$ 185,505</u>	<u>\$ 307,092</u>	<u>\$ (121,587)</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	\$ 6,499,274	\$ 4,712,069	\$ 3,264,965
Net OPEB (asset) liability	\$ (95,917)	\$ (121,587)	\$ (142,775)

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

Expense - For the year ended June 30, 2019, the City recognized the following pension and OPEB expense:

	Pension expense	OPEB expense
PSPRS Police	\$ 803,975	\$ (8,455)

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

14. Retirement Plans (Continued)

B. Public Safety Personnel Retirement System (Continued)

Deferred outflows/inflows of resources - At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health insurance premium benefit	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 56,812	\$ 400,297	\$ 2,667	\$ 13,145
Changes of assumptions or other inputs	618,345	-	-	8,333
Net difference between projected and actual earnings on plan investments	35,360	-	-	5,837
City contributions subsequent to the measurement date	994,591	-	-	-
Total	<u>\$ 1,705,108</u>	<u>\$ 400,297</u>	<u>\$ 2,667</u>	<u>\$ 27,315</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, 2020. 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	Pension	Health insurance premium benefit
2020	\$ 189,157	\$ (5,960)
2021	118,555	(5,960)
2022	(1,131)	(5,959)
2023	13,673	(3,706)
2024	(10,034)	(3,170)
Thereafter	-	107

15. 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, 2019.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

16. Budgetary Basis

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

1. The General Fund as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance includes the proceeds from capital leases as an Other Financing Source and an offsetting Public Works and Streets and Debt Service functional 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 Expenditures</u>	<u>Other Financing Sources (Uses)</u>
Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 20,071,223	\$ (6,334,053)
Capital lease proceeds and expenditures included in Statement of Revenues, Expenditures, and Changes in Fund Balances	(373,498)	(373,498)
Equipment replacement reserve charges included for budgetary basis presentation	<u>370,547</u>	<u>-</u>
Budgetary Comparison Schedule - General Fund	<u>\$ 20,068,272</u>	<u>\$ (6,707,551)</u>

17. Prior Period Adjustments

Net position as of July 1, 2018, has been restated to correct capital assets beginning balances for unrecorded developer contributed sewer lines acquired in prior years.

The table below reflects the restatement amounts on the statement of net position.

	<u>Government-wide Statement of Net Position</u>	<u>Proprietary Funds Statement of Net Position</u>
	<u>Business-type Activities</u>	<u>Wastewater Enterprise Fund</u>
Net position at June 30, 2018, as previously reported	\$ 81,297,741	\$ 81,301,585
Prior period adjustment - correction of capital assets	8,109,596	8,109,596
Net position at June 30, 2018, as restated	<u>\$ 89,407,337</u>	<u>\$ 89,411,181</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)					2014 through 2010
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
ASRS-Pension						
City's proportion of the net pension liability	0.061800 %	0.058470 %	0.054700 %	0.051940 %	0.050427 %	Information not available
City's proportionate share of the net pension liability	\$ 8,618,925	\$ 9,108,486	\$ 8,829,130	\$ 8,090,772	\$ 7,461,507	
City's covered payroll	\$ 6,083,565	\$ 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	141.68 %	160.52 %	170.44 %	165.15 %	160.17 %	
Plan fiduciary net position as a percentage of the total pension liability	73.40 %	69.92 %	67.06 %	68.35 %	69.49 %	

	Reporting fiscal year (measurement date)			2017 through 2010
	2019 (2018)	2018 (2017)	2017 (2016)	
ASRS - Health insurance premium benefit				
City's proportion of the net OPEB liability (asset)	0.062440 %	0.058890 %		Information not available
City's proportionate share of the net OPEB liability (asset)	\$ (22,484)	(32,060)		
City's covered payroll	\$ 6,083,565	5,674,189		
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	(0.37)%	(0.57)%		
Plan fiduciary net position as a percentage of the total OPEB liability	102.20 %	103.57 %		

	Reporting fiscal year (measurement date)			2017 through 2010
	2019 (2018)	2018 (2017)	2017 (2016)	
ASRS - Long-term Disability				
City's proportion of the net OPEB liability	0.06191 %	0.05851 %		Information not available
City's proportionate share of the net OPEB liability	\$ 32,348	\$ 21,209		
City's covered payroll	\$ 6,083,565	\$ 5,674,189		
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.53 %	0.37 %		
Plan fiduciary net position as a percentage of the total OPEB liability	77.83 %	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)					
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
PSPRS Police						
Total pension liability						Information not available
Service cost	\$ 356,017	\$ 418,975	\$ 292,709	\$ 299,781	\$ 226,906	
Interest on the total pension liability	868,127	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	(232,384)	(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	(493,585)	(482,678)	(465,793)	(387,285)	(564,587)	
Net change in total pension liability	498,175	1,116,727	1,543,298	293,958	993,350	
Total pension liability - beginning	11,800,232	10,683,505	9,140,207	8,846,249	7,852,899	
Total pension liability - ending (a)	<u>\$ 12,298,407</u>	<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	\$ 879,735	\$ 444,238	\$ 483,472	\$ 396,718	287,018	
Contributions - employee	204,147	178,624	182,485	185,850	158,370	
Net investment income	510,813	722,712	35,088	193,322	647,862	
Benefit payments, including refunds of employee contributions	(493,585)	(482,678)	(465,793)	(387,285)	(564,587)	
Administrative expense	(8,475)	(6,795)	(5,449)	(5,098)	-	
Other changes	(146,820)	(17,256)	8,784	4,796	(241,967)	
Net change in plan fiduciary net position	945,815	838,845	238,587	388,303	286,696	
Plan fiduciary net position - beginning	6,640,523	5,801,678	5,563,091	5,174,788	4,888,092	
Plan fiduciary net position - ending (b)	<u>\$ 7,586,338</u>	<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>\$ 4,712,069</u>	<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	61.69 %	56.27 %	54.31 %	60.86 %	58.50 %	
Covered payroll	\$ 1,816,663	\$ 1,620,810	\$ 1,983,869	\$ 1,881,985	1,651,848	
City's net pension liability as a percentage of covered payroll	259.38 %	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)		
	2019 (2018)	2018 (2017)	2017 through 2010
PSPRS Health Insurance Premium Benefit			
Total OPEB Liability			
Service cost	\$ 6,095	\$ 6,791	Information not available
Interest on the total OPEB liability	12,499	13,717	
Changes of benefit terms	-	419	
Differences between expected and actual experience in the measurement of the OPEB liability	3,179	(18,591)	
Changes of assumptions or other inputs	-	(11,785)	
Benefit payments	(4,244)	(4,140)	
Net change in total OPEB liability	17,529	(13,589)	
Total OPEB liability - beginning	167,976	181,565	
Total OPEB liability - ending (a)	<u>\$ 185,505</u>	<u>\$ 167,976</u>	
Plan fiduciary net position			
Contributions - employer	\$ -	\$ 30,977	
Net investment income	20,233	(4,140)	
Benefit payments	(4,244)	(274)	
Administrative expense	(308)	-	
Other changes	1	-	
Net change in plan fiduciary net position	15,682	26,563	
Plan fiduciary net position - beginning	291,410	264,847	
Plan fiduciary net position - ending (b)	<u>\$ 307,092</u>	<u>\$ 291,410</u>	
City's net OPEB (asset) liability - ending (a) - (b)	<u>\$ (121,587)</u>	<u>\$ (123,434)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	165.54 %	173.48 %	
Covered payroll	\$ 1,816,663	1,620,810	
City's net OPEB (asset) liability as a percentage of covered payroll	(6.69)%	(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 2010
	2019	2018	2017	2016	2015	2014	
ASRS - Pension							
Statorily required contribution	\$ 715,706	\$ 664,293	\$ 612,991	\$ 570,333	\$ 520,998	\$ 509,997	Information not available
City's contributions in relation to the statorily required contribution	<u>715,706</u>	<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>	<u>\$ -</u>	
City's covered payroll	\$6,348,867	\$6,083,565	\$5,674,189	\$5,180,296	\$4,898,994	\$4,658,483	
City's contributions as a percentage of covered payroll	11.18 %	10.92 %	10.80 %	11.01 %	10.63 %	10.95 %	

	Reporting Fiscal Year			2016 through 2010
	2019	2018	2017	
ASRS - Health insurance premium benefit				
Statorily required contribution	\$ 29,448	\$ 26,816	\$ 31,844	Information not available
City's contributions in relation to the statorily required contribution	<u>29,448</u>	<u>26,816</u>	<u>31,844</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 6,348,867	\$ 6,083,565	\$ 5,674,189	
City's contributions as a percentage of covered payroll	0.46 %	0.44 %	0.56 %	

	Reporting Fiscal Year			2016 through 2010
	2019	2018	2017	
ASRS - Long-term disability				
Statorily required contribution	\$ 10,243	\$ 9,751	\$ 7,961	Information not available
City's contributions in relation to the statorily required contribution	<u>10,243</u>	<u>9,751</u>	<u>7,961</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 6,348,867	\$ 6,083,565	\$ 5,674,189	
City's contributions as a percentage of covered payroll	0.16 %	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 2010
	2019	2018	2017	2016	2015	2014	
PSPRS - Police							
Actuarially determined contribution	\$ 636,952	\$ 607,984	\$ 431,195	\$ 431,873	\$ 293,040	\$ 287,018	Information not available
City's contributions in relation to the actuarially determined contribution	<u>994,591</u>	<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>\$ (357,639)</u>	<u>\$ (51,523)</u>	<u>\$ (73,400)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 1,688,863	\$ 1,816,663	\$ 1,620,810	\$ 1,983,869	\$ 1,881,985	\$ 1,651,848	
City's contributions as a percentage of covered payroll	58.89 %	36.30 %	31.13 %	21.77 %	15.57 %	17.38 %	

	Reporting Fiscal Year			2016 through 2010
	2019	2018	2017	
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>	<u>-</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 1,688,863	\$ 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, 2019**

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 2017 actuarial valuation	19 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. 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 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5%. 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 2017 actuarial valuation, wage growth was decreased from 4% to 3.5%. 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 - July 30, 2011.
Mortality rates	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by (105% for both males and females)

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 increased 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 transferred from capital projects to be used for art improvements and monies received from developers in lieu of complying with the City's public art requirements. Council policy requires 1% of certain capital projects budgets to be used for art in public places.

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 a 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 FUNDS
JUNE 30, 2019**

	Special	Capital Projects Funds				Total Nonmajor Funds
	Revenue	Summit II	Fairfield	Art in Public	Development	
	Fund	Community	Community			
	Grants & Donations	Facilities District	Facilities District			
Assets						
Cash and investments	\$ 122,038	\$ 348,702	\$ 124,701	\$ 127,359	\$ 3,048,603	\$ 3,771,403
Receivables, net of allowance for uncollectibles						
Taxes	-	1,049	30,246	-	-	31,295
Accrued interest	372	1,050	375	384	9,285	11,466
Due from other government units	5,000	-	-	-	-	5,000
Total assets	<u>\$ 127,410</u>	<u>\$ 350,801</u>	<u>\$ 155,322</u>	<u>\$ 127,743</u>	<u>\$ 3,057,888</u>	<u>\$ 3,819,164</u>
Liabilities						
Accounts payable	\$ 1,610	\$ -	\$ -	\$ -	\$ -	\$ 1,610
Construction contracts payable	-	-	-	-	11,527	11,527
Interest payable	-	-	-	-	31	31
Matured debt principal payable	-	-	-	-	9,477	9,477
Unearned revenue	13,705	-	-	-	-	13,705
Total liabilities	<u>15,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,035</u>	<u>36,350</u>
Fund Balances (Deficits)						
Restricted	53,678	350,801	155,322	-	3,075,994	3,635,795
Committed	8,995	-	-	127,743	-	136,738
Assigned	49,422	-	-	-	-	49,422
Unassigned	-	-	-	-	(39,141)	(39,141)
Total fund balances (deficits)	<u>112,095</u>	<u>350,801</u>	<u>155,322</u>	<u>127,743</u>	<u>3,036,853</u>	<u>3,782,814</u>
Total liabilities and fund balances (deficits)	<u>\$ 127,410</u>	<u>\$ 350,801</u>	<u>\$ 155,322</u>	<u>\$ 127,743</u>	<u>\$ 3,057,888</u>	<u>\$ 3,819,164</u>

CITY OF SEDONA, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Special	Capital Projects Funds				Total Nonmajor Funds
	Revenue	Summit II	Fairfield	Art in Public	Development	
	Fund	Community	Community			
Grants & Donations	Facilities District	Facilities District				
Revenues						
In lieu taxes	\$ -	\$ 47,876	\$ 120,908	\$ -	\$ -	\$ 168,784
Intergovernmental	45,551	-	-	-	-	45,551
Charges for services	1,005	-	-	-	-	1,005
Contributions	48,445	-	-	-	-	48,445
Impact fees	-	-	-	-	292,546	292,546
Investment earnings	3,714	10,456	3,416	3,536	92,302	113,424
Total revenues	<u>98,715</u>	<u>58,332</u>	<u>124,324</u>	<u>3,536</u>	<u>384,848</u>	<u>669,755</u>
Expenditures						
Current						
Public safety	8,086	-	-	-	-	8,086
Culture and recreation	29,082	-	-	-	-	29,082
Economic development	27,500	-	-	-	-	27,500
Debt service						
Principal retirement	-	-	-	-	9,477	9,477
Interest and fiscal charges	-	-	-	-	63	63
Capital outlay	17,766	-	-	-	61,387	79,153
Total expenditures	<u>82,434</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,927</u>	<u>153,361</u>
Excess (deficiency) of revenues over expenditures	<u>16,281</u>	<u>58,332</u>	<u>124,324</u>	<u>3,536</u>	<u>313,921</u>	<u>516,394</u>
Other Financing Sources						
Transfers in	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>29,810</u>	<u>-</u>	<u>30,810</u>
Net change in fund balances	<u>17,281</u>	<u>58,332</u>	<u>124,324</u>	<u>33,346</u>	<u>313,921</u>	<u>547,204</u>
Fund balances - beginning 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>
Fund balances - end of year	<u>\$ 112,095</u>	<u>\$ 350,801</u>	<u>\$ 155,322</u>	<u>\$ 127,743</u>	<u>\$ 3,036,853</u>	<u>\$ 3,782,814</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, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 1,540,391	\$ 1,540,391	\$ 879,513	\$ (660,878)
Contributions	50,000	50,000	50,000	-
Investment earnings	224,200	224,200	456,933	232,733
Total revenues	<u>1,814,591</u>	<u>1,814,591</u>	<u>1,386,446</u>	<u>(428,145)</u>
Expenditures				
Capital outlay	8,296,445	8,280,962	4,481,715	3,799,247
Total expenditures	<u>8,296,445</u>	<u>(8,280,962)</u>	<u>4,481,715</u>	<u>3,799,247</u>
Excess (deficiency) of revenues over expenditures	<u>(6,481,854)</u>	<u>(6,466,371)</u>	<u>(3,095,269)</u>	<u>3,371,102</u>
Other Financing Sources (Uses)				
Transfers in	2,248,900	2,248,900	1,862,666	(386,234)
Transfers out	(48,914)	(48,914)	(29,810)	19,104
Total other financing sources (uses)	<u>2,199,986</u>	<u>2,199,986</u>	<u>1,832,856</u>	<u>(367,130)</u>
Net change in fund balance	(4,281,868)	(4,266,385)	(1,262,413)	3,003,972
Fund balance - beginning of year	<u>14,758,902</u>	<u>14,758,902</u>	<u>14,875,000</u>	<u>116,098</u>
Fund balance - end of year	<u>\$ 10,477,034</u>	<u>\$ 10,492,517</u>	<u>\$ 13,612,587</u>	<u>\$ 3,120,070</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, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 384,200	\$ 379,200	\$ 45,551	\$ (333,649)
Charges for services	1,500	1,500	1,005	(495)
Contributions	29,450	33,450	48,445	14,995
Investment earnings	1,700	1,700	3,714	2,014
Total revenues	<u>416,850</u>	<u>415,850</u>	<u>98,715</u>	<u>(317,135)</u>
Expenditures				
Current				
General government	311,200	261,733	-	261,733
Public safety	23,350	26,350	8,086	18,264
Culture and recreation	43,400	44,910	29,082	15,828
Economic development	-	27,500	27,500	-
Capital outlay	-	17,457	17,766	(309)
Total expenditures	<u>377,950</u>	<u>377,950</u>	<u>82,434</u>	<u>264,478</u>
Excess (deficiency) of revenues over expenditures	<u>38,900</u>	<u>37,900</u>	<u>16,281</u>	<u>(52,657)</u>
Other Financing Sources (Uses)				
Transfers in	<u>-</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Net change in fund balance	38,900	38,900	17,281	(52,657)
Fund balance - beginning of year	<u>98,610</u>	<u>98,610</u>	<u>94,814</u>	<u>(3,796)</u>
Fund balance - end of year	<u>\$ 137,510</u>	<u>\$ 137,510</u>	<u>\$ 112,095</u>	<u>\$ (56,453)</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, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
In lieu taxes	\$ 50,200	\$ 47,876	\$ (2,324)
Investment earnings	4,350	10,456	6,106
Total revenues	<u>54,550</u>	<u>58,332</u>	<u>3,782</u>
Expenditures			
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>54,550</u>	<u>58,332</u>	<u>3,782</u>
Fund balance - beginning of year	<u>295,009</u>	<u>292,469</u>	<u>(2,540)</u>
Fund balance - end of year	<u>\$ 349,559</u>	<u>\$ 350,801</u>	<u>\$ 1,242</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, 2019

	<u>Original and</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues			
In lieu taxes	\$ 140,400	\$ 120,908	\$ (19,492)
Investment earnings	1,400	3,416	2,016
Total revenues	<u>141,800</u>	<u>124,324</u>	<u>(17,476)</u>
Expenditures			
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>141,800</u>	<u>124,324</u>	<u>(17,476)</u>
Fund balance - beginning of year	<u>36,372</u>	<u>30,998</u>	<u>(5,374)</u>
Fund balance - end of year	<u>\$ 178,172</u>	<u>\$ 155,322</u>	<u>\$ (22,850)</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, 2019

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Investment earnings	\$ 200	\$ 3,536	\$ 3,336
Total revenues	200	3,536	3,336
Expenditures			
Capital outlay	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	200	3,536	3,336
Other Financing Sources			
Transfers in	48,914	29,810	(19,104)
Net change in fund balance	49,114	33,346	(15,768)
Fund balance - beginning of year	90,069	94,397	4,328
Fund balance - end of year	\$ 139,183	\$ 127,743	\$ (11,440)

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, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Impact fees	\$ 197,410	\$ 197,410	\$ 292,546	\$ 95,136
Investment earnings	27,780	27,780	92,302	64,522
Total revenues	<u>225,190</u>	<u>225,190</u>	<u>384,848</u>	<u>159,658</u>
Expenditures				
Debt service				
Principal retirement	9,477	9,477	9,477	-
Interest and fiscal charges	63	63	63	-
Capital outlay	43,000	83,483	61,387	22,096
Total expenditures	<u>52,540</u>	<u>93,023</u>	<u>70,927</u>	<u>22,096</u>
Excess (deficiency) of revenues over expenditures	<u>172,650</u>	<u>132,167</u>	<u>313,921</u>	<u>181,754</u>
Fund balance - beginning of year	<u>2,421,023</u>	<u>2,421,023</u>	<u>2,722,932</u>	<u>1,881,070</u>
Fund balance - end of year	<u>\$ 1,229,954</u>	<u>\$ 974,029</u>	<u>\$ 3,036,853</u>	<u>\$ 2,062,824</u>

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS
WASTEWATER ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 6,213,900	\$ 6,213,900	\$ 6,250,964	\$ 37,064
Capacity fees	673,300	673,300	507,169	(166,131)
Investment earnings	206,050	206,050	620,971	414,921
Other revenues	17,050	17,050	19,197	2,147
Non-operating Revenues (Expenses)	-	-	-	-
Total revenues	<u>7,110,300</u>	<u>7,110,300</u>	<u>7,398,301</u>	<u>288,001</u>
Expenditures				
Salaries and employee benefits	1,276,160	1,276,160	1,323,105	(46,945)
Supplies and other	3,211,850	3,146,167	2,506,693	639,474
Capital outlay	4,712,584	4,778,227	1,413,203	3,365,024
Debt service	4,439,005	4,439,045	4,439,036	9
Contingency	100,000	100,000	-	100,000
Addition to equipment replacement reserve	509,450	509,450	430,268	79,182
Addition to major maintenance reserve	71,150	71,150	16,286	54,864
Total expenditures	<u>14,320,199</u>	<u>14,320,199</u>	<u>10,128,591</u>	<u>4,191,608</u>
Excess (deficiency) of revenues over expenditures	<u>(7,209,899)</u>	<u>(7,209,899)</u>	<u>(2,730,290)</u>	<u>4,479,609</u>
Other Financing Sources (Uses)				
Transfers in	4,487,900	4,487,900	4,599,709	111,809
Add back equipment replacement reserve	509,450	509,450	430,268	(79,182)
Add back major maintenance reserve	71,150	71,150	16,286	(54,864)
Net change in fund balance	(2,141,399)	(2,141,399)	2,315,973	4,457,372
Fund balance - beginning of year, as adjusted	<u>13,528,390</u>	<u>13,528,390</u>	<u>15,977,963</u>	<u>2,449,573</u>
Fund balance - end of year	<u>\$ 11,386,991</u>	<u>\$ 11,386,991</u>	<u>\$ 18,293,936</u>	<u>\$ 6,906,945</u>
Reconciliation to Net Position per Statement of Revenues, Expenses and Changes in Net Position:				
Net Position, end of year, budgetary basis			\$ 18,293,936	
Adjustments to reconcile to net position:				
Adjustments from prior years			73,433,218	
Capital contribution - developer-contributed sewer lines			66,211	
Depreciation			(3,540,871)	
Capital outlay			1,413,203	
Principal paid on long-term debt			4,000,000	
Premium on long-term debt			86,083	
Decrease in deferred charges on refunding			(17,987)	
Increase in long-term interest payable			(929,968)	
Increase in compensated absences			(4,378)	
Decrease in net pension/OPEB asset			(915)	
Increase in deferred outflows related to pensions/OPEB			14,664	
Decrease in net pension/OPEB liability			3,730	
Increase in deferred inflows related to pensions/OPEB			(60,773)	
Net Position, end of year			<u>\$ 92,756,153</u>	

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS
INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 1,727,300	\$ 1,727,300	\$ 1,787,858	\$ 60,558
Investment earnings	-	-	7,753	7,753
Total revenues	<u>1,727,300</u>	<u>1,727,300</u>	<u>1,795,611</u>	<u>68,311</u>
Expenditures				
Salaries and employee benefits	582,490	582,490	573,226	9,264
Supplies and other	977,771	955,808	822,101	133,707
Capital outlay	167,100	189,729	141,073	48,656
Addition to equipment replacement reserve	174,000	174,000	228,127	(54,127)
Total expenditures	<u>1,901,361</u>	<u>1,902,027</u>	<u>1,764,527</u>	<u>(137,500)</u>
Excess (deficiency) of revenues over expenditures	<u>(174,061)</u>	<u>(174,727)</u>	<u>31,084</u>	<u>205,811</u>
Add back equipment replacement reserve	<u>174,000</u>	<u>174,000</u>	<u>228,127</u>	<u>54,127</u>
Net change in fund balance	(61)	(727)	259,211	259,938
Fund balance - beginning of year	<u>132,114</u>	<u>132,114</u>	<u>193,101</u>	<u>60,987</u>
Fund balance - end of year	<u>\$ 132,053</u>	<u>\$ 131,387</u>	<u>\$ 452,312</u>	<u>\$ 320,925</u>

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

Net Position, end of year, budgetary basis	\$ 452,312
Adjustments to reconcile to net position:	
Adjustments from prior years	(472,547)
Depreciation	(92,549)
Capital outlay	141,073
Increase in compensated absences	(426)
Decrease in net pension/OPEB asset	(990)
Decrease in deferred outflows related to pensions	(3,077)
Decrease in net pension liability	162,400
Increase in deferred inflows	(17,944)
Net position of governmental activities	<u>\$ 168,252</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, 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 YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year									
	2019	(Restated) 2018	(Restated) 2017	(Restated) 2016	(Restated) 2015	(Restated) 2014	(Restated) 2013	(Restated) 2012	(Restated) 2011	(Restated) 2010
Governmental activities										
Net investment in capital assets	\$ 36,964,267	\$ 34,194,446	\$ 30,918,472	\$ 27,547,603	\$ 25,882,022	\$ 21,865,051	\$ 18,019,228	\$ 17,287,440	\$ 17,056,529	\$ 21,081,629
Restricted	3,904,561	3,491,426	4,554,465	6,399,927	7,782,359	6,770,279	10,514,851	9,015,587	9,048,404	9,929,271
Unrestricted	23,988,145	16,585,365	13,326,749	10,840,148	7,433,194	17,575,929	14,612,403	17,968,102	17,799,316	12,024,471
Total governmental activities net position	<u>\$ 64,856,973</u>	<u>\$ 54,271,237</u>	<u>\$ 48,799,686</u>	<u>\$ 44,787,678</u>	<u>\$ 41,097,575</u>	<u>\$ 46,211,259</u>	<u>\$ 43,146,482</u>	<u>\$ 44,271,129</u>	<u>\$ 43,904,249</u>	<u>\$ 43,035,371</u>
Business-type activities										
Net investment in capital assets	\$ 82,872,611	\$ 81,693,704	\$ 78,633,941	\$ 74,595,947	\$ 62,473,972	\$ 67,436,106	\$ 65,088,810	\$ 63,266,363	\$ 59,467,700	\$ 56,690,410
Restricted	2,571	3,486	-	-	-	-	-	-	-	92,327
Unrestricted	9,904,889	7,710,147	7,443,554	7,840,256	7,449,791	10,300,251	10,366,261	11,054,014	12,356,418	13,437,348
Total business-type activities net position	<u>\$ 92,780,071</u>	<u>\$ 89,407,337</u>	<u>\$ 86,077,495</u>	<u>\$ 82,436,203</u>	<u>\$ 69,923,763</u>	<u>\$ 77,736,357</u>	<u>\$ 75,455,071</u>	<u>\$ 74,320,377</u>	<u>\$ 71,824,118</u>	<u>\$ 70,220,085</u>
Primary government										
Net investment in capital assets	\$ 119,836,878	\$ 115,888,150	\$ 109,552,413	\$ 102,143,550	\$ 88,355,994	\$ 89,301,157	\$ 83,108,038	\$ 80,553,803	\$ 76,524,229	\$ 77,772,039
Restricted for	3,907,132	3,494,912	4,554,465	6,399,927	7,782,359	6,770,279	10,514,851	9,015,587	9,048,404	10,021,598
Unrestricted	33,893,034	24,295,512	20,770,303	18,680,404	14,882,985	27,876,180	24,978,664	29,022,116	30,155,734	25,461,819
Total primary government net position	<u>\$ 157,637,044</u>	<u>\$ 143,678,574</u>	<u>\$ 134,877,181</u>	<u>\$ 127,223,881</u>	<u>\$ 111,021,338</u>	<u>\$ 123,947,616</u>	<u>\$ 118,601,553</u>	<u>\$ 118,591,506</u>	<u>\$ 115,728,367</u>	<u>\$ 113,255,456</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									
	2019	(Restated) 2018	(Restated) 2017	(Restated) 2016	(Restated) 2015	(Restated) 2014	(Restated) 2013	(Restated) 2012	(Restated) 2011	(Restated) 2010
Expenses										
Governmental Activities:										
General government	\$ 2,974,989	\$ 2,809,253	\$ 6,103,129	\$ 6,564,561	\$ 5,802,810	\$ 5,314,798	\$ 5,231,759	\$ 5,602,556	\$ 5,688,858	\$ 7,445,612
Public safety	6,836,072	7,542,130	5,357,797	4,353,279	4,208,855	3,691,142	2,654,768	2,486,555	3,009,197	3,618,539
Public works and streets	5,488,876	5,336,542	4,534,423	3,025,476	3,352,131	3,986,709	5,635,022	3,204,078	2,531,632	4,899,328
Community and economic development	-	-	-	-	2,200,510	932,919	1,834,854	-	-	-
Community services	-	-	-	-	-	426,571	974,564	2,004,255	1,357,077	815,848
Culture and recreation	2,521,273	2,501,727	1,928,332	1,810,593	557,038	-	-	-	-	-
Economic development	2,424,664	2,355,663	2,261,269	1,336,234	-	-	-	-	-	-
Health and welfare	492,083	251,997	-	-	-	-	-	-	-	-
Public transportation	202,363	188,604	-	-	-	-	-	-	-	-
Interest on long-term debt	281,913	292,714	296,144	319,545	442,506	563,158	559,672	567,901	583,175	636,191
Total governmental activities	<u>21,222,233</u>	<u>21,278,630</u>	<u>20,481,094</u>	<u>17,409,688</u>	<u>16,563,850</u>	<u>14,915,297</u>	<u>16,890,639</u>	<u>13,865,345</u>	<u>13,169,939</u>	<u>17,415,518</u>
Business-Type Activities:										
Wastewater	8,691,487	8,217,210	7,590,660	7,394,559	8,416,450	8,147,798	8,345,260	7,874,116	7,873,298	8,029,126
Total primary government expenses	<u>\$ 29,913,720</u>	<u>\$ 29,495,840</u>	<u>\$ 28,071,754</u>	<u>\$ 24,804,247</u>	<u>\$ 24,980,300</u>	<u>\$ 23,063,095</u>	<u>\$ 25,235,899</u>	<u>\$ 21,739,461</u>	<u>\$ 21,043,237</u>	<u>\$ 25,444,644</u>
Program revenues										
Governmental activities:										
Charges for services										
General government	\$ 674,910	\$ 824,299	\$ 661,395	\$ 674,762	\$ 318,200	\$ 89,021	\$ 78,355	\$ 289,510	\$ 189,417	\$ 717,236
Public safety	617,090	607,666	24,743	31,570	49,218	134,164	154,786	202,465	200,129	42,929
Public works	16,044	16,614	4,690	4,745	3,870	70,943	90,065	27,583	139,856	159,839
Economic development	-	-	-	-	402,483	381,803	22,270	-	-	-
Community services	-	-	-	-	95,716	57,697	68,367	64,714	57,475	124,140
Culture and recreation	138,768	131,359	121,295	104,217	-	-	-	-	-	-
Public transportation	855	-	-	-	-	-	-	-	-	-
Operating grants and contributions	1,724,973	1,133,423	1,213,350	1,056,235	1,119,695	1,844,336	1,970,762	1,776,788	1,732,206	2,185,565
Capital grants and contributions	1,546,883	1,037,264	1,924,413	1,177,321	1,640,791	758,272	779,462	688,239	918,037	426,903
Total governmental activities program revenues	<u>4,719,523</u>	<u>3,750,625</u>	<u>3,949,886</u>	<u>3,048,850</u>	<u>3,629,973</u>	<u>3,336,236</u>	<u>3,164,067</u>	<u>3,049,299</u>	<u>3,237,120</u>	<u>3,656,612</u>
Business-Type Activities:										
Charges for services										
Wastewater	6,251,954	6,180,360	5,934,888	6,349,506	6,093,385	5,908,088	5,884,685	5,159,442	4,393,291	4,335,777
Capital grants and contributions	573,380	523,013	1,167,388	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>6,825,334</u>	<u>6,703,373</u>	<u>7,102,276</u>	<u>6,349,506</u>	<u>6,093,385</u>	<u>5,908,088</u>	<u>5,884,685</u>	<u>5,159,442</u>	<u>4,393,291</u>	<u>4,335,777</u>
Total primary government program revenues	<u>\$ 11,544,857</u>	<u>\$ 10,453,998</u>	<u>\$ 11,052,162</u>	<u>\$ 9,398,356</u>	<u>\$ 9,723,358</u>	<u>\$ 9,244,324</u>	<u>\$ 9,048,752</u>	<u>\$ 8,208,741</u>	<u>\$ 7,630,411</u>	<u>\$ 7,992,389</u>

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

	Fiscal Year									
	2019	(Restated) 2018	(Restated) 2017	(Restated) 2016	(Restated) 2015	(Restated) 2014	(Restated) 2013	(Restated) 2012	(Restated) 2011	(Restated) 2010
(Concluded)										
Net (Expense)/Revenue										
Governmental activities	\$ (16,502,710)	\$ (17,528,005)	\$ (16,531,208)	\$ (14,360,838)	\$ (12,933,877)	\$ (11,579,061)	\$ (13,726,572)	\$ (10,816,046)	\$ (9,932,819)	\$ (13,758,906)
Business-type activities	(1,866,153)	(1,513,837)	(488,384)	(1,045,053)	(2,323,065)	(2,239,710)	(2,460,575)	(2,714,674)	(3,480,007)	(3,693,349)
Total primary government net expense	<u>\$ (18,368,863)</u>	<u>\$ (19,041,842)</u>	<u>\$ (17,019,592)</u>	<u>\$ (15,405,891)</u>	<u>\$ (15,256,942)</u>	<u>\$ (13,818,771)</u>	<u>\$ (16,187,147)</u>	<u>\$ (13,530,720)</u>	<u>\$ (13,412,826)</u>	<u>\$ (17,452,255)</u>
General Revenues and Transfers										
Governmental activities										
Taxes										
Sales taxes	\$ 26,180,070	\$ 22,795,216	\$ 19,983,931	\$ 18,004,940	\$ 12,050,907	\$ 10,400,704	\$ 8,824,918	\$ 7,729,483	\$ 7,799,486	\$ 7,208,703
Franchise taxes	807,465	813,573	786,882	789,754	766,728	738,631	720,455	713,577	699,088	666,326
In lieu taxes	655,721	643,087	630,532	622,224	488,937	500,968	692,049	380,270	-	393,293
Unrestricted state revenue sharing	1,251,688	1,287,767	1,270,897	1,207,731	1,214,315	1,118,082	1,024,645	846,624	1,064,334	1,411,823
Unrestricted state sales tax revenue sharing	1,039,635	998,202	950,879	948,696	916,721	873,126	821,056	783,825	830,562	802,470
Unrestricted auto lieu tax revenue sharing	662,935	642,895	606,030	577,681	534,404	508,519	483,343	476,438	543,380	551,996
Investment earnings	1,003,210	99,315	159,363	307,030	210,386	255,995	127,098	215,593	166,085	533,139
Proceeds from sale of capital assets	-	-	-	11,806	-	-	-	-	-	-
Other	87,431	70,639	107,960	78,629	22,863	164,187	64,367	37,116	88,974	1,405,705
Transfers	(4,599,709)	(4,351,138)	(4,038,211)	(4,497,550)	88,235	83,626	63,842	-	-	404,856
Total governmental activities general revenues and transfers	<u>27,088,446</u>	<u>22,999,556</u>	<u>20,458,263</u>	<u>18,050,941</u>	<u>16,293,496</u>	<u>14,643,838</u>	<u>12,821,773</u>	<u>11,182,926</u>	<u>11,191,909</u>	<u>13,378,311</u>
Business-type activities										
Sales taxes	-	-	-	-	4,046,986	4,478,074	4,638,664	5,002,648	5,413,073	4,925,801
Investment earnings	620,971	100,891	78,287	179,734	73,193	126,548	111,930	208,284	134,460	409,512
Miscellaneous	18,207	391,650	13,116	-	-	-	-	-	-	-
Transfers	4,599,709	4,351,138	4,038,211	4,497,550	(88,235)	(83,626)	(63,842)	-	-	(404,856)
Total business-type activities general revenues and transfers	<u>5,238,887</u>	<u>4,843,679</u>	<u>4,129,614</u>	<u>4,677,284</u>	<u>4,031,944</u>	<u>4,520,996</u>	<u>4,686,752</u>	<u>5,210,932</u>	<u>5,547,533</u>	<u>4,930,457</u>
Total primary government general revenues and transfers	<u>\$ 32,327,333</u>	<u>\$ 27,843,235</u>	<u>\$ 24,587,877</u>	<u>\$ 22,728,225</u>	<u>\$ 20,325,440</u>	<u>\$ 19,164,834</u>	<u>\$ 17,508,525</u>	<u>\$ 16,393,858</u>	<u>\$ 16,739,442</u>	<u>\$ 18,308,768</u>
Change in Net Position										
Governmental activities	10,585,736	5,471,551	3,927,055	3,690,103	3,359,619	3,064,777	(904,799)	366,880	1,259,090	(380,595)
Business-type activities	3,372,734	3,329,842	3,641,230	3,632,231	1,708,879	2,281,286	2,226,177	2,496,258	2,067,526	1,237,108
Total primary government change in net position	<u>\$ 13,958,470</u>	<u>\$ 8,801,393</u>	<u>\$ 7,568,285</u>	<u>\$ 7,322,334</u>	<u>\$ 5,068,498</u>	<u>\$ 5,346,063</u>	<u>\$ 1,321,378</u>	<u>\$ 2,863,138</u>	<u>\$ 3,326,616</u>	<u>\$ 856,513</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)**

	<u>Fiscal Year 2010</u>
General Fund	
Unreserved	\$ 11,157,413
All Other Governmental Funds	
Unreserved, reported in:	
Special Revenue Funds	\$ 2,700,657
Capital Projects Funds	10,163,223
Total All Other Governmental Funds	\$ 12,863,880

	<u>Fiscal Year</u>								
	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Fund									
Nonspendable	\$ 11,683	\$ 15,604	\$ 15,409	\$ 86,203	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	95,416	86,591	81,828	77,855	1,794,750	-	-	-	-
Committed	1,619,954	701,913	421,696	389,240	-	1,626,131	-	-	-
Assigned	2,195,394	2,032,174	2,018,050	1,585,000	-	-	-	-	-
Unassigned	9,454,072	6,915,095	8,491,539	7,611,935	11,449,459	15,888,042	14,295,777	12,783,938	12,403,438
Total General Fund	\$13,376,519	\$ 9,751,377	\$11,028,522	\$ 9,750,233	\$13,244,209	\$17,514,173	\$14,295,777	\$12,783,938	\$12,403,438
All Other Governmental Funds									
Nonspendable	\$ -	\$ 1,575	\$ -	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	3,667,645	3,252,827	4,472,637	6,321,238	7,692,180	6,770,279	10,561,911	9,015,587	9,048,404
Committed	4,180,816	1,147,912	11,268,308	9,692,916	5,367,842	66,607	-	4,464,502	4,468,706
Assigned	14,432,612	15,334,100	750,137	525,863	26,199	-	-	-	-
Unassigned	(39,141)	(31,246)	(54,281)	(36,684)	(19,373)	-	-	-	-
Total All Other Governmental Funds	\$22,241,932	\$19,705,168	\$16,436,801	\$16,518,333	\$13,066,848	\$ 6,836,886	\$10,561,911	\$13,480,089	\$13,517,110

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 were 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									
	2019	2018	2017	2016	(Restated) 2015	2014	2013	2012	2011	2010
Revenues										
Taxes	\$ 27,636,568	\$ 24,290,404	\$ 21,523,901	\$ 19,412,559	\$ 13,628,451	\$ 11,205,625	\$ 9,756,849	\$ 8,594,131	\$ 8,538,593	\$ 8,142,198
Licenses and permits	380,721	455,498	475,216	496,517	468,722	466,937	334,756	276,000	179,555	207,092
Intergovernmental	4,887,798	4,935,807	4,831,007	4,505,596	5,034,197	5,205,547	4,825,104	4,131,915	4,473,983	6,127,774
Contributions	724,645	290,500	86,376	230,296	23,711	-	51,945	39,342	6,452	1,990
Charges for services	933,927	770,108	202,854	162,130	190,565	99,231	89,118	125,142	98,339	184,458
Fines and forfeitures	227,761	249,893	140,840	147,984	172,694	134,164	154,786	202,465	200,129	269,104
Impact fees	292,546	207,076	618,741	231,772	216,039	450,798	278,480	297,107	154,162	278,352
Investment earnings	995,457	99,675	159,363	307,030	238,592	303,098	139,854	284,730	221,786	533,139
Rents and royalties	-	-	-	-	-	-	-	-	-	3,698
Other	102,221	75,089	107,960	78,629	38,707	276,872	521,353	120,851	292,300	506,745
Total revenues	36,181,644	31,374,050	28,146,258	25,572,513	20,011,678	18,142,272	16,152,245	14,071,683	14,165,299	16,254,550
Expenditures										
Current										
General government	2,860,187	2,703,709	5,760,492	6,179,381	5,471,132	5,881,473	5,639,357	5,132,317	5,021,720	6,993,621
Public safety	7,051,249	6,854,047	4,972,449	4,198,335	3,770,380	3,609,678	2,723,035	2,550,703	2,947,190	3,541,391
Public works and streets	3,651,588	3,798,641	3,118,403	1,824,816	2,280,656	3,642,185	3,332,977	2,265,572	2,031,023	4,300,673
Culture and recreation	2,354,627	2,293,792	1,820,211	1,769,992	2,193,308	389,420	1,803,515	1,914,570	1,654,380	843,316
Economic development	2,426,505	2,368,755	2,261,269	1,336,234	550,762	-	-	-	-	-
Health and welfare	493,249	251,997	-	-	-	-	-	-	-	-
Public transportation	202,363	188,604	-	-	-	-	-	-	-	-
Capital outlay	5,134,771	5,211,057	4,592,490	5,237,935	3,546,030	4,337,561	4,486,413	1,286,046	1,577,185	-
Debt service:										
Principal retirement	1,419,977	1,413,004	602,019	515,000	345,000	346,889	354,309	378,130	-	345,942
Interest and fiscal charges	208,035	234,775	222,266	245,667	418,606	561,020	538,964	547,193	562,465	570,707
Total expenditures	25,802,551	25,318,381	23,349,599	21,307,360	18,575,874	18,768,226	18,878,570	14,074,531	13,793,963	16,595,650
Excess (deficiency) of revenue over expenditures	10,379,093	6,055,669	4,796,659	4,265,153	1,435,804	(625,954)	(2,726,325)	(2,848)	371,336	(341,100)
Other Financing Sources (Uses)										
Proceeds of refunding debt issuance	-	-	-	-	-	1,879,700	-	-	-	-
Payment to refunding debt escrow agent	-	-	-	-	-	(1,845,000)	-	-	-	-
Sale of capital assets	9,024	18,182	-	11,806	22,863	-	-	-	-	-
Issuance of long-term debt	373,498	268,509	438,309	8,030,000	-	-	-	-	-	-
Payment to escrow agent	-	-	-	(7,934,739)	-	-	-	-	-	-
Transfers out	(6,746,385)	(10,023,287)	(7,142,658)	(11,928,810)	(7,955,237)	(1,136,498)	857,675	(838,373)	(316,125)	(1,264,607)
Transfers in	2,146,676	5,672,149	3,104,447	7,431,260	8,043,472	1,220,124	(793,833)	838,373	316,125	1,669,463
Total other financing sources (uses)	(4,217,187)	(4,064,447)	(3,599,902)	(4,390,483)	111,098	118,326	63,842	-	-	404,856
Net change in fund balances	\$ 6,161,906	\$ 1,991,222	\$ 1,196,757	\$ (125,330)	\$ 1,546,902	\$ (507,628)	\$ (2,662,483)	\$ (2,848)	\$ 371,336	\$ 63,756
Debt services as a percentage of non-capital expenditures	7.79 %	8.14 %	4.39 %	4.73 %	5.08 %	6.29 %	6.21 %	7.24 %	4.60 %	5.52 %

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

**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 2019			Fiscal Year 2010		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Hotels & Other Lodging	\$ 9,628,166	1	36.9 %	\$ 2,937,039	2	24.2 %
Retail Trade	7,104,613	2	27.1	2,993,452	1	24.7
Restaurants & Bars	4,366,956	3	16.7	1,639,413	4	13.5
Rental/Leasing/Licensing	1,621,589	4	6.2	853,836	6	7.0
Construction	1,449,767	5	5.5	1,809,571	3	14.9
All Other	1,280,028	6	4.9	1,197,058	5	9.9
Transportation/Communication/Utilities	718,813	7	2.7	704,133	7	5.8
	<u>\$ 26,169,932</u>		<u>100.0 %</u>	<u>\$ 12,134,502</u>		<u>100.0 %</u>

Source: 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
2019	\$ 21,381,693	\$ 4,788,239	\$ 810,915	\$ 655,721	\$ 27,636,568
2018	18,393,517	4,431,680	822,122	643,086	24,290,405
2017	16,268,459	3,811,727	783,413	660,302	21,523,901
2016	14,999,612	3,010,334	781,223	621,390	19,412,559
2015	9,589,003	2,659,290	764,473	439,949	13,452,715
2014	8,114,951	2,097,290	738,631	254,753	11,205,625
2013	6,999,858	1,857,455	720,455	179,081	9,756,849
2012	5,841,697	1,867,282	713,577	171,575	8,594,131
2011	6,203,878	1,472,193	699,088	163,434	8,538,593
2010	5,782,462	1,426,241	666,326	267,169	8,142,198

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

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Sales Category										
Construction	\$ 1,449,767	\$ 1,270,064	\$ 1,335,883	\$ 1,465,258	\$ 1,043,214	\$ 1,106,248	\$ 799,034	\$ 845,718	\$ 1,196,484	\$ 1,809,571
Transportation, Communication and Utilities	718,813	584,656	571,822	596,888	551,710	621,539	566,849	610,278	691,194	704,133
Retail Trade	7,104,613	6,185,202	5,632,490	5,552,332	4,359,761	4,375,792	3,941,680	4,238,541	4,177,664	2,993,452
Restaurants and Bars	4,366,956	3,859,442	3,268,739	2,829,512	1,959,886	2,197,587	1,769,999	1,822,094	1,771,269	1,639,413
Rental/Leasing/Licensing	1,621,589	1,396,438	1,302,833	1,058,690	630,449	928,205	747,856	770,388	800,883	853,836
Hotels and Other Lodging	9,628,166	8,484,719	7,057,005	5,619,566	4,317,072	1,980,589	3,142,085	3,583,876	3,207,107	2,937,039
All Other Outlets	1,280,028	1,044,676	911,414	887,700	1,053,920	612,380	513,538	649,880	1,055,093	1,197,058
Total	<u>\$ 26,169,932</u>	<u>\$ 22,825,197</u>	<u>\$ 20,080,186</u>	<u>\$ 18,009,946</u>	<u>\$ 13,916,012</u>	<u>\$ 11,822,340</u>	<u>\$ 11,481,041</u>	<u>\$ 12,520,775</u>	<u>\$ 12,899,694</u>	<u>\$ 12,134,502</u>
Direct Sales Tax Rate	3.50 %	3.00% thru 2/28/18 3.50% starting 3/1/18	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %
Transient Lodging Tax	3.50 %	3.50 %	3.50 %	3.50 %	3.00% thru 12/31/13 3.50% starting 1/1/14	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %

Source: Arizona Department of Revenue and Revenue Discovery Systems

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

<u>Fiscal Year</u>	<u>City Direct Sales Tax Rate</u>	<u>Yavapai County</u>	<u>Coconino County</u>	<u>State of Arizona</u>
2019	3.50%	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 %
2017	3.00 %	0.75 %	1.300 %	5.60 %
2016	3.00 %	0.75 %	1.300 %	5.60 %
2015	3.00 %	0.75 %	1.125 %	5.60 %
2014	3.00 %	0.75 %	1.125 %	5.60 %
2013	3.00 %	0.75 %	1.125 %	5.60 %
2012	3.00 %	0.75 %	1.125 %	5.60 %
2011	3.00 %	0.75 %	1.125 %	5.60 %
2010	3.00 %	0.75 %	1.125 %	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			
2019	\$ 7,550,000	\$ 619,579	\$ 15,302,582	\$ -	\$ 12,189,283	\$ 35,661,444	8.15 %	\$ 3,451
2018	8,790,000	426,058	19,388,665	-	11,259,315	39,864,038	9.23 %	3,790
2017	10,025,000	320,990	23,394,748	-	10,376,075	44,116,813	10.01 %	4,245
2016	10,509,700	-	28,072,186	-	9,537,228	48,119,114	9.24 %	4,123
2015	10,339,062	-	32,929,325	-	8,740,542	52,008,929	11.17 %	4,267
2014	10,684,842	-	37,333,514	-	7,983,887	56,002,243	8.80 %	4,736
2013	11,135,500	16,889	41,889,499	-	7,265,246	60,307,134	16.65 %	5,314
2012	11,163,896	41,198	45,060,343	-	6,582,715	62,848,152	17.89 %	5,609
2011	11,498,188	64,328	48,430,295	-	5,934,491	65,927,302	18.79 %	5,981
2010	11,817,478	86,337	52,005,412	605,806	5,318,833	69,833,866	18.71 %	5,659

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, 2019
(UNAUDITED)

Government Unit	Outstanding Debt (1)	Estimated Percentage Applicable (2)	Estimated Share of Overlapping Debt
Coconino County	\$ -	6.81 %	\$ -
Yavapai County	16,906,006	7.47 %	1,262,879
Coconino County Community College District	-	6.81 %	-
Yavapai County Community College District	7,150,000	7.47 %	534,105
Sedona-Oak Creek Unified S.D. No. 9	37,380,000	60.82 %	22,734,516
Sedona Fire District	978,357	60.66 %	593,471
Total Overlapping Debt			<u>25,124,971</u>
City of Sedona	8,169,579	100.00 %	<u>8,169,579</u>
Total Direct and Overlapping Debt			<u><u>\$ 33,294,550</u></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 2019 calendar year.

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

WIFA⁽³⁾

Fiscal Year	Gross Revenues ⁽¹⁾	Less Operating Expenses ⁽²⁾	Net Available Revenue	Principal	Interest	Coverage
2019	-	-	-	-	-	-
2018	-	-	-	-	-	-
2017	-	-	-	-	-	-
2016	-	-	-	-	-	-
2015	-	-	-	-	-	-
2014	-	-	-	-	-	-
2013	-	-	-	-	-	-
2012	-	-	-	-	-	-
2011	-	-	-	-	-	-
2010	\$ 4,745,289	\$ (2,357,123)	\$ 2,388,166	\$ 121,161	\$ 44,846	14.39

Excise Tax Revenue Bonds

Fiscal Year	Excise Tax Revenues	Principal	Interest	Total	Coverage
2019	\$ 27,603,656	\$ 5,240,000	\$ 611,587	\$ 5,851,587	4.72
2018	26,116,973	5,155,000	695,923	5,850,923	4.46
2017	23,808,679	5,050,000	791,691	5,841,691	4.08
2016	21,708,599	5,260,000	808,167	6,068,167	3.58
2015	20,054,429	4,485,000	1,498,946	5,983,946	3.35
2014	18,450,768	4,405,000	2,077,929	6,482,929	2.85
2013	15,029,208	4,210,000	2,279,329	6,489,329	2.32
2012	14,125,481	4,210,000	2,717,992	6,927,992	2.04
2011	14,410,369	3,835,000	2,696,830	6,531,830	2.21
2010	14,146,146	3,665,000	2,861,257	6,526,257	2.17

Source: 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.

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Coconino County	\$ 141,743,200	\$ 138,333,198	\$ 134,528,591	\$ 125,045,612	\$ 121,388,325	110,290,043	N/A	N/A	N/A	N/A
Yavapai County	253,159,989	238,835,422	227,245,423	191,649,855	183,416,070	177,099,032	N/A	N/A	N/A	N/A
Total Assessed Valuation	<u>\$ 394,903,189</u>	<u>\$ 377,168,620</u>	<u>\$ 361,774,014</u>	<u>\$ 316,695,467</u>	<u>\$ 304,804,395</u>	<u>\$ 287,389,075</u>	<u>\$ 298,617,510</u>	<u>\$ 289,661,444</u>	<u>\$ 289,661,444</u>	N/A
20% Limitation										
Debt Limit Equal to 20% of Assessed Valuation	\$ 78,980,638	\$ 75,433,724	\$ 72,354,803	\$ 63,339,093	\$ 60,960,879	\$ 57,477,815	\$ 59,723,502	\$ 57,932,289	57,932,289	N/A
Total Net Debt Applicable to 20% Limit	-	-	-	-	-	-	-	-	-	N/A
Legal 20% Debt Margin	<u>\$ 78,980,638</u>	<u>\$ 75,433,724</u>	<u>\$ 72,354,803</u>	<u>\$ 63,339,093</u>	<u>\$ 60,960,879</u>	<u>\$ 57,477,815</u>	<u>\$ 59,723,502</u>	<u>\$ 57,932,289</u>	<u>\$ 57,932,289</u>	N/A
6% Limitations										
Debt Limit Equal to 6% of Assessed Valuation	\$ 23,694,191	\$ 22,630,117	\$ 21,706,441	\$ 19,001,728	\$ 18,288,264	\$ 17,243,345	\$ 17,917,051	\$ 17,379,687	17,379,687	N/A
Total Net Debt Applicable to 6% Limit	-	-	-	-	-	-	-	-	-	N/A
Legal 6% Debt Margin	<u>\$ 23,694,191</u>	<u>\$ 22,630,117</u>	<u>\$ 21,706,441</u>	<u>\$ 19,001,728</u>	<u>\$ 18,288,264</u>	<u>\$ 17,243,345</u>	<u>\$ 17,917,051</u>	<u>\$ 17,379,687</u>	<u>\$ 17,379,687</u>	N/A

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
2019	10,335	\$ 437,315,190	\$ 42,314	58.7	1,023	4.90%
2018	10,336	424,220,448	41,043	58.3	1,007	4.40%
2017	10,397	440,708,036	42,388	57.9	989	4.70%
2016	10,388	440,326,544	42,388	58.0	1,097	5.00%
2015	10,281	392,754,762	38,202	56.3	1,082	5.80%
2014	10,140	387,368,280	38,202	56.1	968	6.50%
2013	9,981	318,608,492	31,922	56.1	1,219	8.70%
2012	10,031	314,471,850	31,350	56.1	1,250	9.10%
2011	10,031	319,206,482	31,822	50.5	1,209	9.40%
2010	11,400	344,850,000	30,250	50.5	1,288	9.27%

Sources: U.S. 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, 2019 AND NINE YEARS PRIOR
(UNAUDITED)**

Employer	2019			2010		
	Employees (1)	Rank	Percentage of Total Employment	Employees (1)	Rank	Percentage of Total Employment
Enchantment Resorts (location outside of City)	606	1	10.70 %	383	2	6.04 %
Hilton Resort & Spa (location outside of City)	380	2	6.71 %	193	4	3.05 %
L'Auberge de Sedona Resort	300	3	5.29 %	180	5	2.84 %
Diamond Resorts	300	4	5.29 %	275	3	4.34 %
Orchards Inn	220	5	3.88 %			
Sedona/Oak Creek School District	154	6	2.72 %	180	5	2.84 %
Red Mountain Recovery	147	7	2.59 %			
City of Sedona	144	8	2.54 %	100	8	1.58 %
Pink Jeep Tours	135	9	2.38 %	125	7	1.97 %
Kachina Point Rehabilitation Hospital	110	10	1.94 %			
Sunterra Resorts				400	1	6.31 %
Radisson Resort				99	9	1.56 %
Sedona Rouge				98	10	1.55 %
Total	2,496		44.04 %	2,033		32.08 %

Source: Sedona Chamber of Commerce; City of Sedona, Arizona

(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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General government										
Management services	29	28	27	26	27	28	28	27	27	30
Finance	8	8	8	8	8	8	6	5	5	5
Planning	11	12	12	12	10	10	10	10	10	11
Other	4	4	4	3	3	3	1	1	1	1
Public safety										
Officers	27	27	27	27	27	27	26	27	27	32
Civilians	16	16	16	14	14	12	12	9	11	11
Building safety	2	2	2	2	2	2	2	2	2	2
Public works										
Engineering	9	8	8	8	6	6	6	4	3	4
Other	18	18	16	15	15	15	15	16	15	18
Culture and recreation	8	8	6	6	6	6	5	6	16	16
Wastewater	12	12	11	11	11	11	11	10	11	11
Total	144	143	137	132	129	128	122	117	128	141

Source: City of Sedona, Arizona Financial Services Department

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

Function	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General government										
Building permits issued	512	557	646	617	518	500	476	472	463	593
Building inspections conducted	3,954	2,899	1,889	1,733	1,953	1,907	1,781	1,453	1,277	2,086
Police										
Physical arrests	301	391	464	383	432	325	364	497	537	544
Parking violations	2,568	2,819	728	737	317	191	587	195	149	195
Traffic violations	N/A	N/A	2,011	3,553	3,827	1,145	2,340	2,268	2,617	3,310
Traffic stops	4,269	5,173	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other public works										
Street resurfacing (miles)	4.3	5.9	6.5	2.4	2.6	2.2	3.8	3.0	2.4	N/A
Right-of-way permits issued	239	198	184	194	210	190	204	161	157	157
Wastewater										
Average daily sewage treatment (millions of gallons)	1.1	1.2	1.1	1.1	1.1	1.2	1.1	1.1	1.2	1.1

Source: City of Sedona, Arizona

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

Function	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
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	17	19	19	16	15	15	17	13	13	16
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)	0.1	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Streetlights	149	149	149	147	147	136	136	8	8	8
Parks and recreation										
Acreage	123	123	123	123	123	123	93	93	93	93
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	659	659	659	659	659	659	659	659	659	659
Wastewater										
Sanitary sewers (miles)	110	110	110	110	110	110	110	110	75	75
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 parks acreage includes addition of the wetlands preserve located at the wastewater treatment plant and the Brewer Road Park.