

AGENDA



4:30 P.M.

CITY COUNCIL MEETING

TUESDAY, FEBRUARY 9, 2021

NOTES:

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

www.SedonaAZ.gov

GUIDELINES FOR PUBLIC COMMENT

PURPOSE:

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

PROCEDURES:

- **It is strongly encouraged that public input on agenda items be submitted by sending an email to the City Clerk at sirvine@sedonaaz.gov in advance of the 4:30 p.m. Call To Order.**
- Fill out a "Comment Card" and deliver it to the City Clerk.
- When recognized, use the podium/microphone.
- State your:
 1. Name and
 2. City of Residence
- Limit comments to **3 MINUTES.**
- Submit written comments to the City Clerk.

DUE TO CONTINUED PRECAUTIONS RELATED TO COVID-19, SEATING FOR THE PUBLIC WITHIN THE COUNCIL CHAMBERS IS ARRANGED IN COMPLIANCE WITH CDC GUIDELINES FOR PHYSICAL DISTANCING AND IS VERY LIMITED. THOSE WISHING TO COMMENT ON SCHEDULED AGENDA ITEMS MAY BE ASKED TO WAIT OUTDOORS OR IN AN ALTERNATE LOCATION IF THERE IS NOT ADEQUATE SEATING IN COUNCIL CHAMBERS. **COMMENTS IN ADVANCE OF THE 4:30 P.M. CALL TO ORDER ARE STRONGLY ENCOURAGED BY SENDING AN EMAIL TO [SIRVINE@SEDONAAZ.GOV](mailto:sirvine@sedonaaz.gov) AND WILL BE MADE PART OF THE OFFICIAL MEETING RECORD.** THE MEETING CAN BE VIEWED LIVE ON THE CITY'S WEBSITE AT WWW.SEDONAAZ.GOV OR ON CABLE CHANNEL 4.

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

2. CITY'S VISION

3. CONSENT ITEMS - APPROVE

LINK TO DOCUMENT =

- Minutes - January 26, 2021 City Council Special Meeting - Executive Session.
- Minutes - January 26, 2021 City Council Regular Meeting.
- AB 2652 Approval of the reallocation of Sustainability Program funds.

4. APPOINTMENTS

- AB 2648 **Discussion/possible action** regarding the reappointment and appointment of Historic Preservation Commissioners.

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

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

7. PROCLAMATIONS, RECOGNITIONS & AWARDS - None.

- Recognition of Bradley Viereck by the Sedona Police Department for his willingness & bravery in assisting officers with the arrest of a violent suspect.

8. REGULAR BUSINESS

- AB 2651 **Presentation/discussion** regarding the Annual Audit findings and Comprehensive Annual Financial Report (CAFR) for the City of Sedona for Fiscal Year 2019-20.
- AB 2649 **Discussion/possible action** regarding the donation of a bronze sculpture from Friends of Jack Jamesen Memorial Sculptural Park to be placed within Jack Jamesen Memorial Park.
- AB 2646 **Discussion/possible action** regarding proposed State legislation and its potential impact on the City of Sedona.
- AB 2571 **Discussion/possible direction** regarding issues surrounding the COVID-19 pandemic and the City's response.
- Reports/discussion** regarding Council assignments.
- Discussion/possible action** regarding future meeting/agenda items.

CITY COUNCIL CHAMBERS
102 ROADRUNNER DRIVE, SEDONA, AZ

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



Page 2, City Council Meeting Agenda Continued

9. EXECUTIVE SESSION

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

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

10. ADJOURNMENT

Posted: 02/04/2021

By: DJ

Susan L. Irvine, CMC
City Clerk

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

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

CITY COUNCIL CHAMBERS
102 ROADRUNNER DRIVE, SEDONA, AZ

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

**Action Minutes
Special City Council Meeting
Virtual Meeting, Sedona, Arizona
Tuesday, January 26, 2021, 2:30 p.m.**

1. Call to Order

Mayor Moriarty called the meeting to order at 2:30 p.m.

2. Roll Call

Council Present: Mayor Sandy Moriarty, Vice Mayor Scott Jablow, Councilor Bill Chisholm, Councilor Kathy Kinsella, Councilor Tom Lamkin, Councilor Holli Ploog, Councilor Jessica Williamson.

Staff in attendance: City Manager Justin Clifton, City Attorney Kurt Christianson, City Clerk Susan Irvine.

3. Special Business

Motion: Councilor Williamson moved to enter into Executive Session at 2:31 p.m. Seconded by Councilor Ploog. Vote: Motion carried unanimously with seven (7) in favor (Moriarty, Jablow, Chisholm, Kinsella, Lamkin, Ploog, and Williamson) and zero (0) opposed.

- a. **Discussion/consideration regarding the employment, assignment, and appointment of a new City Manager including the recruitment and selection process. This matter is brought in executive session pursuant to A.R.S. § 38-431.03(A)(1).**

Reconvened in open session at 4:06 p.m.

- b. **Return to open session. Discussion/possible action regarding executive session items.**

No action was taken.

4. Adjournment

Mayor Moriarty adjourned the meeting at 4:06 p.m.

I certify that the above are the true and correct actions of the Special City Council Meeting held on January 26, 2021.

Susan L. Irvine, CMC, City Clerk

Date

**Action Minutes
Regular City Council Meeting
Virtual Meeting, Sedona, Arizona
Tuesday, January 26, 2021, 4:30 p.m.**

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

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

Council Present: Mayor Sandy Moriarty, Vice Mayor Scott Jablow, Councilor Bill Chisholm, Councilor Kathy Kinsella, Councilor Tom Lamkin, Councilor Holli Ploog, Councilor Jessica Williamson.

Staff Present: City Manager Justin Clifton, Assistant City Manager/Director of Community Development Karen Osburn, City Attorney Kurt Christianson, City Clerk Susan Irvine.

2. City's Vision

A video of the City's Vision was played.

3. Consent Items

- a. **Minutes - January 12, 2021 City Council Regular Meeting.**
- b. **Minutes - January 13, 2021 City Council Special Meeting.**
- c. **AB 2644 Approval of a lease agreement between the City of Sedona and Daniel Saunders for Saunders' use of the real property, owned by the City of Sedona, located at 430 Forest Road Sedona Arizona, APN 401-16-071.**

Motion: Councilor Chisholm moved to approve consent items 3a, 3b, and 3c. Seconded by Councilor Ploog. Vote: Motion carried unanimously with seven (7) in favor (Moriarty, Jablow, Chisholm, Kinsella, Lamkin, Ploog, Williamson) and zero (0) opposed.

4. Appointments – None.

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

Councilor Chisholm gave an update on Hope House of Sedona. They have selected a contractor for construction and are now doing a stick-built home. A donor has offered a dollar-for-dollar match on donations up to \$100,000.

6. Public Forum - None.

7. Proclamations, Recognitions, and Awards – None.

8. Regular Business

- a. **AB 2642 Discussion/possible action regarding a Resolution and Ordinance amending the Sedona City Code Title 8 (Health and Safety) by adopting amendments to Chapter 8.05 (Methods of Garbage and Trash Removal) related to the proper storage, placement, and disposition of residential waste and waste containers.**

Presentation by Karen Osburn and Kurt Christianson.

Questions and comments from Council.

Sedona City Council
Regular Meeting
Tuesday, January 26, 2021
4:30 p.m.

Motion: Councilor Kinsella moved to adopt Resolution No. 2021-03 a Resolution of the Mayor and Council of the City of Sedona, Arizona establishing as a public record that document titled “2021 Amendments to Article 8 (Health and Safety), adding Chapter 8.05, Article II. Garbage and Solid Waste Containment” and specify that this pertains to residential waste put out after 12:00 p.m. on day preceding pick up and removed by 11:59 p.m. on the day of pick up. Seconded by Vice Mayor Jablow. Vote: Motion carried with six (6) in favor (Moriarty, Jablow, Kinsella, Lamkin, Ploog, Williamson) and one (1) opposed (Chisholm).

Motion: After 1st reading, Vice Mayor Jablow moved to adopt Ordinance No. 2021-02 as read by the City Attorney. Seconded by Councilor Kinsella. Vote: Motion carried with six (6) in favor (Moriarty, Jablow, Kinsella, Lamkin, Ploog, Williamson) and one (1) opposed (Chisholm).

b. AB 2646 Discussion/possible action regarding proposed State legislation and its potential impact on the City of Sedona.

Presentation by Kurt Christianson and Justin Clifton.

Questions and comments from Council.

Presentation and discussion only.

c. AB 2571 Discussion/possible direction regarding issues surrounding the COVID-19 pandemic and the City's response.

Presentation by Justin Clifton.

Questions and comments from Council.

Presentation and discussion only.

d. Reports/discussion regarding Council assignments

Councilor Chisholm stated that he is on the NACOG Advisory Council on Aging Subcommittee and gave some statistics from the prior fiscal year related to their services. He advised that minimum wage increases are impacting the ability of NACOG to provide services because the cost of providing the services is increasing and the federal poverty level has not changed.

e. Discussion/possible action regarding future meeting/agenda items

Mayor Moriarty advised that the City Council Retreat will be held next week, and Justin stated that the agenda and materials should be released tomorrow.

9. Executive Session

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

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

No Executive Session was held.

10. Adjournment

Mayor Moriarty adjourned the meeting at 6:34 p.m. without objection.

I certify that the above are the true and correct actions of the Regular City Council Meeting held on January 26, 2021.

Susan L. Irvine, CMC, City Clerk

Date



**CITY COUNCIL
AGENDA BILL**

**AB 2652
February 9, 2021
Consent Items**

Agenda Item: 3c
Proposed Action & Subject: Approval of the reallocation of Sustainability Program funds.

Department	City Manager’s Office
Time to Present	N/A
Total Time for Item	
Other Council Meetings	September 9, 2020, January 13, 2021
Exhibits	None.

City Attorney Approval	Reviewed 2/1/2021 KWC	Expenditure Required	
		\$	20,000
City Manager’s Recommendation	Approve reallocation of Sustainability Program Funds.	Amount Budgeted	
		\$	22,500
		Account No. (Description)	10-5220-09-6543 (Utilities – Electric) 10-5220-09-6513 (Marketing)
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: To better prepare for predicted climate changes in Sedona and support the City Council’s priority of environmental sustainability, the City of Sedona is developing Sedona’s first community Climate Action Plan (CAP). In order to effectively plan and budget projects for the next few years, staff requests to reallocate Sustainability Program decision package funding to utilize consultant services to prioritize potential actions based on effectiveness and identify costs. While this request is under Council procurement authorization guidelines, it involves reallocating funds from planned sustainability efforts outlined in decision packages.

Timeline: City Council approved a decision package for \$40,000 for the development of a high-level communitywide CAP in the FY2020 budget.

Key Considerations: In FY 2021, City Council approved a decision package for \$12,500 to purchase renewable energy for City operations. Staff has not utilized these funds as Arizona Public Service will not be offering new utility-scale renewable energy purchasing opportunities until next fiscal year. City Council also approved a decision package for \$10,000 for ongoing marketing efforts for environmental behavior initiatives. This effort has been delayed due to the pandemic.

On January 13th, City Council identified a community greenhouse gas emission target of 50% reduction by 2030. In order to prioritize and assign potential program costs in a timely manner to make progress towards this target, consultant assistance is required. Staff requests to reallocate up to \$20,000 of these combined decision packages for use this fiscal year.

There is a strong consensus that residents are concerned about climate change and that they want the City to take action to reduce emissions and improve community resiliency. In the Climate Action Plan survey conducted in June 2020, 68.9% of respondents said that they are quite or very worried about climate change; 68.4% of respondents said that it is quite or very important that the City take action on climate change, and 72.4% of respondents felt that the City should be very invested or moderately invested in taking climate action. The full survey results can be found at [Climate Action | City of Sedona \(sedonaaz.gov\)](https://www.sedonaaz.gov/ClimateAction).

Community Plan Consistent: Yes - No - Not Applicable

According to the Community Plan, “Protection of the environment is the community’s top priority, and sustainability is a fundamental goal of the Plan.” The Environment Chapter of the Community Plan Section 5 cites goals including preserving and protecting the natural environment and developing an action plan that focuses on reducing harmful emissions and improving energy conservation. The Environment Chapter also focuses on expanding renewable energy and reducing the use of single-occupancy vehicles.

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s):

MOTION

I move to: approve the reallocation of up to \$20,000 in FY2021 funds from Account No. 10-5220-09-6543 (Utilities – Electric) and Account No. 10-5220-09-6513 (Marketing) to Account No. 10-5220-09-6405 (Professional Services).



**CITY COUNCIL
AGENDA BILL**

**AB 2648
February 9, 2021
Appointments**

Agenda Item: 4a
Proposed Action & Subject: Discussion/possible action regarding the reappointment and appointment of Historic Preservation Commissioners.

Department City Clerk
Time to Present 2 minutes
Total Time for Item 5 minutes
Other Council Meetings N/A
Exhibits A. Applications

City Attorney Approval	Reviewed 2/1/2021 KWC	Expenditure Required	
		\$	0
City Manager's Recommendation	NA	Amount Budgeted	
		\$	0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: The Historic Preservation Commission advertised seeking applicants to fill two (2) open seats on the Commission with an application deadline of October 22, 2020. The vacancies are the result of the expiration of terms for Allyson Holmes and James Curry on November 30, 2020. Incumbent Allyson Holmes applied for reappointment, and a total of one (1) additional application was received for these vacancies.

A third seat on the Commission became vacant as the result of the resignation of Steve Segner effective October 8, 2020. Although the Historic Preservation Commission continues to advertise seeking applicants, no additional applications have been received. In an effort to reach a full Commission, the decision was made to schedule interviews for the applications received.

On January 20, 2021, the Selection Committee, made up of Mayor Sandy Moriarty, Vice Mayor Scott Jablow, and Chair Brynn Burkee Unger, interviewed the applicant and reviewed the application of the incumbent. The Selection Committee unanimously recommended the reappointment of Allyson Holmes, along with the appointment of Robert (Bob) Huggins to seats on the Historic Preservation Commission. The term for each appointee is three years

beginning immediately and expiring November 30, 2023 or until a successor is appointed, whichever is later.

Community Plan Compliant: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): Council may request that the vacancies be reposted.

MOTION

I move to: reappoint Allyson Holmes and appoint Robert (Bob) Huggins to the Historic Preservation Commission with terms beginning immediately and ending November 30, 2023 or until a successor is appointed, whichever is later.

**Historic Preservation Commission
Application**



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

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

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

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

Name: Allyson Holmes

Mailing Address: [REDACTED] Sedona, Arizona 86336

Phone: [REDACTED]

Cellular Phone: [REDACTED]

Email Address: [REDACTED]

Are there any days you are not be available for an interview? Tuesday, Wednesday

Are you a resident of the City of Sedona? Yes No
If yes, how many years? 15 years

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

If so, what group and for what length of time? N/A

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

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

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

Received
AUG 15 2014
CITY OF SEDONA
CITY CLERK'S OFFICE

Re applied
RECEIVED
SEP 11 2017
CITY OF SEDONA
CITY CLERK'S OFFICE

Re applied
RECEIVED
SEP 29 2020
CITY OF SEDONA
CITY CLERK'S OFFICE
Application Page Number 1

**Historic Preservation Commission
Application**



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

1. Background experience and knowledge.

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

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

2. Please explain your related experience or knowledge.

I have had an interest in archaeology on an amateur basis all my adult life. I have used this interest in designing and implementing the teaching of archaeology in the elementary classroom and at Red Rock State Park. I am a native of Arizona and have read widely the history of our state, and have experienced the history for many decades. My two years on the HPC has allowed me to read and use the preservation law and I have attended new commissioner training at the state historical preservation convention about one year ago.

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

I understand our duties as being dependable in attending the monthly meeting and occasional special hearing. We also advise and consult with staff and owners of historical properties about the care and development of uses and design for landmarked properties. We play an important legal role in keeping the Certified Local Government status for our city government.

**Historic Preservation Commission
Application**



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

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

I hope to contribute as an informed commission member as issues arise. My main interest is the development of the Brewer Road property for new uses. I hope to be on the committee that is formed to address that planning.

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

I am willing to attend all scheduled meetings and special events.

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

The Community Plan embraces Historic Preservation as part of a vital community.

7. What is your understanding of the Land Development Code's ordinance pertaining to Historic Preservation? Our Land Development Code incorporates all laws that relate to the CLG status and Historical Preservation and our commission is in place to make sure that we follow those laws.

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

**Historic Preservation Commission
Application**



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

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

N/A

9. If currently a member of the Historic Preservation Commission, how many terms have you served on this Commission? Why are you reapplying?

I am finishing my first term and I am reapplying because I feel that the commission has a new direction and definition after the last difficult year.

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

1. Retain the historical appearance of the remaining landmarked buildings.
2. Development of Brewer Road property into a usable community resource.
3. Develop camaraderie and pride in the current historical property owners.

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

I am very interested in the Brewer Road property.

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

CLG communities become certified by making a local commitment to historic preservation and then become qualified to receive funding and technical assistance that will help them achieve successful preservation projects.

Cherise Fullbright

From: Warren Campbell
Sent: Tuesday, September 29, 2020 11:22 AM
To: Cherise Fullbright
Cc: Allyson Holmes
Subject: Fw: HPC terms

Cherise,

Will you please let Allyson know what she needs to do to reapply

Thanks

Warren

From: Allyson [REDACTED]
Sent: Tuesday, September 29, 2020 10:35 AM
To: Warren Campbell [REDACTED]
Subject: Re: HPC terms

I am interested in another term.

What do I need to do?

Thanks for notifying me.

Allyson

Sent from my iPhone

On Sep 29, 2020, at 10:15 AM, Warren Campbell [REDACTED] wrote:

Allyson and James,

Your terms on the HPC are up in November. Do you anticipate seeking reappointment? We are preparing the notice and if you are interested in reappointment we will probably put a shorter fuse on the application submittal time frame.

Please let us know.

Thanks



Warren Campbell
Assistant Director of Community
Development
Community Development Department
102 Roadrunner Dr.
Sedona, AZ 86336



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

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

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

Name: Robert (Bob) Huggins

Mailing Address: PO Box 184, Sedona 86339-0184

Phone: [REDACTED] Cellular Phone: [REDACTED]

Email Address: [REDACTED]

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

Are you a resident of the City of Sedona? Yes No
If yes, how many years? 18

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

If so, what group and for what length of time? Yes, Parks & Recreation Commission, 7 years;
see attached page for detailed list of others.

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

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

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

RECEIVED
OCT 22 2020
CITY OF SEDONA
CITY CLERK'S OFFICE



Have you previously been appointed by the City of Sedona to any position or served on any commission, board, committee or citizen engagement working groups other than the Historic Preservation Commission?

Continued from Application Page Number 1:

- Currently serving on the Uptown Parking Advisory Committee
- Served on the Western Gateway CFA Working Group 2016
- Completed a photo inventory of all historical interpretive wayside signs, site designation and RHP plaques for the Uptown CFA.

- Served on the P&R Master Plan Development Group 1/2013
- Developed the P&R General Operations Manual adopted by City Council 2007 Revised 2009
- Served on the Sedona Wetland Development Taskforce and designed the Wayside Exhibits
- Created the City of Sedona Recreational Sign Plan currently in use at all of the City's Parks
- Created the Historical/informational kiosk at the entrance to Jordan HP
- In 2007 I created the City of Sedona Volunteer Park Ranger Program and continue to serve as the Program Manager

- Served on many short-term City committees, workgroups, workshops, taskforces, etc.

1. Background experience and knowledge.

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

Which categories do you have experience and/or knowledge, check all that apply:

- Archaeologist/Archaeology
- Architect/Architecture/Architectural History
- Historian/History
- Real Estate
- Building Construction
- Historic Preservation Law
- Conservation/Preservation
- Land Use Planning
- Other related field (please explain) Most of my experience is from 31 years field work with the National Park Service.

2. Please explain your related experience or knowledge.

At Grand Teton National Park (1970-1975) I helped create the Menors Ferry Historic District that included the restoration of the 1894 homestead cabin and adapting it into a living history program. When the ferry and cable works became operational, the District offered interpretive ferry rides across the Snake River and living history demonstrations. Supervised 4 living history interpretive rangers. During the winter I managed the Colter Bay Visitors Center which housed the Rockefeller's Indian artifacts collection. Worked with elders from the Blackfoot and Shoshone tribes to assure that the artifacts were displayed correctly and with respect. Several funereal and sacred items were repatriated to the tribes.

Continued ... see Application Page Number 2a

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

I believe the main purpose of the HPC is to identify and protect the cultural history of Sedona by designating buildings, historic districts and fixed artifacts through designations such as landmarks or as eligible for placement on the National Register of Historic Places. This is done through public hearings.

The Commission partners with SHPO and derives much of its authority and guidance through the Sedona Land Development Code.



2. Please explain your related experience or knowledge. *Continued from Application Page Number 2*

From 1975-1977, I managed the artifacts collection at Lake Mead National Recreation Area.

At Isle Royale National Park, I managed the park's collection which had not been catalogued for years. Hired a Historian who catalogued hundreds of items salvaged from the many shipwrecks that surround the Island. We also discovered uncatalogued human remains which were returned to the lake. Worked with the Western Regional Underwater Archeological Team mapping the shipwrecks.

I started a living history program at the Edisen Fishery and oversaw the rehabilitation of the 1855 Rock Harbor Light and keepers' quarters. Restoration included stabilization, replacement of the spiral staircase and whitewashing the exterior.

At Big Bend National Park, I served as Chief of Interpretation & Visitor Services. Worked with a restoration team stabilizing an old adobe structure and began restoration of the Luna Jacal.

In 1981, Secretary Watt had banned all National Parks from engaging in any school related education programs. Under Secretary Babbitt, that moratorium was lifted and NPS Director Mott asked that I work with various groups to develop a new service wide education program. Working with the National Park Foundation and an educational staff from the Northeast Regional Office, the *Parks as Classrooms* (PaC) program was created and all NPS sites were required to participate. PaC was a curriculum-based program requiring NPS sites to work with local school districts to match site resources with the existing curriculum. This became especially difficult for small historic sites and battlefields. This gave me an opportunity to work directly with the National Park's Chief Historian (Ed Bearss) and the Keeper of the National Register of Historic Places (Carol Shull) in adapting *Teaching with Historic Places* into the PaC program.

I also developed a program with NASA to have a ranger assigned to the Goddard Space Flight Center to gather satellite imagery of parks, historic sites (districts) and battlefield sites for mapping and educational purposes.



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

I love history, especially the history of Sedona. Having served 31 years with the National Park Service, I consider myself a true preservationist.

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

As much as needed.

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

The Sedona Community Plan is a 2013 document that is a visionary plan to guide future growth of the Community. Among many references, the plan emphasizes the need to protect the natural and cultural resources within the City. It specifically addresses the role that historic preservation plays in that goal.

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

Where the Community Plan is visionary, the Sedona Land Development Code is very specific as to how the community will be developed. It sets standards on land development and building structures and codifies those standards. It specifically charges HPC with protecting the City cultural resources using resources such as the National Register, the Sedona Landmark designation, and for providing incentives to maintain non-landmark properties that have significant historic value to the community.



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

Yes, 6-8 including speaking at Public Hearings.

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

1. The final plan for the Ranger/Brewer properties.
2. The human and environmental impacts on historic properties.
3. General apathy toward history and specifically preservation of the historic fabric of Sedona.

I also believe that education should plan an important part in addressing these concerns.

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

I have a real interest in the development of the Ranger/Brewer properties. In 2005/2006, I worked with the Sedona Women on the *Heart of Sedona* Committee that worked towards having the City purchase the old Sedona District Ranger properties from ILX and preserving the ranger station/residence and CCC barn. As a Natural Resource Management "historian", I am very concerned with the outcome of that property. I don't believe people understand how important to the history of Federal land management that property represents. The Ranger Station/Residence is one of the last remaining (pre-1920's) structures standing today. All but a few have been torn down and replaced with modern visitor centers/administrative buildings.

How many people today know anything about the WPA or the CCC? This property would make a perfect educational district.

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

The Certified Local Government program is jointly administered by the National Park Service and our State Historic Preservation Office. Through a federal/state/local formal partnership a CLG is eligible to receive grants for a variety of historic preservation projects. A CLG can also receive technical assistance from the SHPO.

In order to receive assistance, the SHPO must have a local entity (traditionally a local HPC) and that local entity must have CLG status. If that formal partnership had not existed, the Sedona HPC may have been disbanded with the other City commissions.



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

N/A

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

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

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



**CITY COUNCIL
AGENDA BILL**

**AB 2651
February 9, 2021
Regular Business**

Agenda Item: 8a
Proposed Action & Subject: Presentation/discussion regarding the Annual Audit findings and Comprehensive Annual Financial Report (CAFR) for the City of Sedona for Fiscal Year 2019-20.

Department Financial Services

Time to Present 20 minutes
Total Time for Item 30 minutes

Other Council Meetings N/A

Exhibits

- A. Comprehensive Annual Financial Report
- B. Annual Expenditure Limitation Report
- C. Governance Communication
- D. Single Audit Act Reports
- E. HURF Audit Report
- F. PowerPoint Presentation

City Attorney Approval	Reviewed 2/1/2021 KWC	Expenditure Required	
		\$	0
City Manager's Recommendation	Presentation and discussion only.	Amount Budgeted	
		\$	0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

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

The required audit reports included as exhibits are as follows:

- Comprehensive Annual Financial Report (CAFR)
 - **Purpose:** Presents the audited financial statements and related disclosures with the auditors' opinion regarding the presentation of the financial statements.
 - **Results:** The auditors' opinion was that, in all material respects, the financial statements fairly present the City's financial position and financial activities for fiscal year 2019-20.
- Annual Expenditure Limitation Report
 - **Purpose:** Presents the results regarding the City's compliance with expenditure limitation requirements.
 - **Results:** The City was well under the expenditure limit for fiscal year 2019-20.
- Governance Communication
 - **Purpose:** Communicates to those charged with governance, the City Council and Senior Management, the scope of audit procedures performed, significant findings, and other information, such as disagreements with management, audit adjustments, and significant estimates, that are not communicated in the audited financial statements.
 - **Results:** No issues were identified by the auditors during the fiscal year 2019-20 audit.
- Single Audit Act Reports
 - **Purpose:** Presents the results regarding the City's compliance with the Single Audit Act requirements. The Single Audit Act Amendments of 1996 were enacted to streamline and improve the effectiveness of audits of federal awards expended by states, local governments, and not-for-profit entities, as well as to reduce audit burden. Single Audits are relied on by federal agencies as part of their administrative responsibilities for determining compliance with the requirements of federal awards. While the City must always comply with the requirements of any federal awards received, this is the first time the City met the Single Audit threshold of \$750,000 or more in federal awards expended.
 - **Results:** No audit findings or questioned costs were identified by the auditors during the fiscal year 2019-20 audit.
- Highway User Revenue Fund (HURF) Audit Report
 - **Purpose:** Identifies the auditors' opinion regarding the City's compliance with HURF regulations.
 - **Results:** The auditors' opinion was that the City complied, in all material respects, with the HURF requirements for fiscal year 2019-20.

Much of the language in these reports is prescribed. For instance, the auditors' opinion must include the caveat, "in all material respects." This language is required whether there are immaterial issues found or not. An audit is not designed to provide absolute assurance that all issues would be found. Such assurances would be impractical and cost prohibitive.

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

Sandy Cronstrom of CliftonLarsonAllen LLP will be present to discuss the City's CAFR and audit reports with the City Council. A presentation also will be made regarding an overview of the City's financial status as of the fiscal year ended June 30, 2020.

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): N/A

MOTION

I move to: for presentation and discussion only.

CAFR 2020



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

City of Sedona, Arizona
for fiscal year ending June 30, 2020

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CITY OF SEDONA, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2020

Prepared by:
Financial Services Department

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CITY OF SEDONA, ARIZONA

For the Year Ended June 30, 2020

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For the Year Ended June 30, 2020

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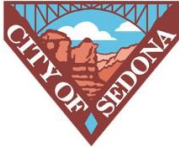
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INTRODUCTORY SECTION

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

December 29, 2020

To the Honorable Mayor, Members of the City Council and Citizens of Sedona, Arizona:

We are pleased to submit to you the fiscal year 2020 Comprehensive Annual Financial Report (CAFR) for the City of Sedona, Arizona (the City) in accordance with Arizona Revised Statutes, Section 9-481.

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, the Municipal Securities Rulemaking Board (MSRB) Electronic Municipal Market Access (EMMA) website, 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. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

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 citywide 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 audited 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, 2020, are free from material misstatement. The independent audit involved procedures to obtain audit 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 (“clean”) opinion that the financial statements for the City of Sedona, Arizona for the fiscal year ended June 30, 2020, 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.

Profile of the City

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, all of whom are elected at large. 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 10,315. 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 or possibly decline. The state legislature passed Senate Bill (SB) 1350 restricting Arizona cities from prohibiting short-term rentals. With the removal of the City’s prohibition, the short-term rental market has exploded. When the results of the 2020 census are available, the extent that short-term rentals have displaced full-time residents will be better known.

The City provides a wide range of municipal services, including police protection, sewer services, construction and maintenance of streets, traffic control, on- and off-street parking, recreational and cultural 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. Partner-operated functions include library services, community center operations, special needs transportation, animal shelter services, visitor’s center and tourism bureau, and recycling services.

Water distribution services are predominantly provided by a private water company, with a smaller area served by a legally separate special district. Refuse collection is not franchised and provided by a number of private companies. Fire protection is provided by a legally separate special district.

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 reauthorized it in August 2018 and is effective for fiscal years 2020 through 2023.

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 all funds 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's economy is heavily tourism focused with sales and bed taxes representing the majority of local operating revenue. The stunning natural red rock surroundings, numerous outdoor activities, luxury resorts, spas, art galleries, and boutique wineries attract an estimated 3 to 3.5 million visitors per year. An estimated 77% of the total sales and bed tax revenues are generated by the City's tourism industry.

The median age in the community is 59, and the community consists largely of retired citizens, second homes for part-time residents, and short-term rental properties for investors. Economic development initiatives are underway to improve and diversify opportunities for local business owners; however, lack of affordable housing results in most employees commuting from other locations within the Verde Valley area and beyond. Creating enough incentives for employees to commute is a consideration due to the competition for a limited employee base in the Verde Valley area.

Mandated closures in response to the COVID-19 pandemic occurred during mid-March to mid-May, which is typically the City's busiest portion of the year for tourism. Hotel occupancy rates hit bottom in April with an 83% decrease. Since reopening, much of the tourism activity has returned. The first quarter fiscal year 2021 sales taxes were up 7% and bed taxes were up 11% resulting in the highest first quarter that the City has ever seen. A considerable portion of the visitors are typically international and long-distance travelers; however, there has been a significant reduction in the number of tourists in these categories. The substantial increase in regional travelers has more than made up the difference in sales and bed tax revenues.

Despite the pandemic, both retail and construction sales tax collections for fiscal year 2020 were the highest ever. The increase in retail sales tax collections can be attributed to an increase in local sales activity, an increase in online sales activity, and the impacts of *Wayfair v. South Dakota* requiring all retail marketplaces to collect and remit taxes. The increase in construction sales tax can largely be attributed to the continued increase in interest in the Sedona area as a prime tourist and retirement destination.

Economic Outlook

Taxable 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 75% of the General Fund revenues. The City's unrestricted sales tax rate is currently at 3%. Unrestricted sales tax revenues decreased 7% compared to the prior fiscal year as result of the COVID-19

closures. Since reopening, sales tax revenues have exceeded expectations and prior year levels. Due to the highly desirable location, sales tax revenues are expected to continue at these strong levels barring any substantial reclosures due to the pandemic.

The City also has a 3.5% bed tax (transient occupancy), a discriminatory 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. At the time of the rate increase, the City Council committed 55% of the proceeds of the bed tax to the management and promotion of tourism, including a destination marketing program. The marketing program was 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 exceeded all expectations. In addition, SB 1350 was effective January 1, 2017. The increases in revenue collections for transient occupancy have also been attributable to this legalization of short-term residential rentals. Since fiscal year 2019, 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 2020, bed tax revenues were less than the prior year actuals by 13% due to the COVID-19 closures. Since reopening, bed tax revenues have exceeded expectations and prior year levels and are expected to continue at these strong levels barring any substantial reclosures due to the pandemic.

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

Long-Term Financial Planning

The City regularly updates 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 ten-year capital budget planning process, which serves as its planning document to ensure that its facilities, equipment, and infrastructure are well maintained and operating in peak condition, in addition to addressing the capital needs for Council priorities. The City's goal is to focus on ensuring that a minimum of the first three years of the plan are fully funded. The \$15.3 million capital improvement program for fiscal year 2021 includes \$10.0 for streets and transportation related improvements, \$1.4 million for storm drainage projects, and \$1.4 million for wastewater projects.

Unassigned fund balance in the General Fund at June 30, 2020 was 61% of General Fund operating expenditures. This amount well exceeded the policy guidelines set by the Council for budgetary and planning purposes of 30%. Allocation of General Fund surpluses to Council priorities (such as capital

improvements, affordable housing initiatives, or potential implementation of a local transit system) will be determined in the next budget cycle process for fiscal year 2022.

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, capital improvements, and implementation of new initiatives. 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.

State statutes require adoption of a balanced annual budget; available beginning fund balances plus estimated revenues must be equal to or greater than budgeted expenditures. The fiscal year 2020 adopted budget projected surplus balances at the end of the year of \$20.2 million. At June 30, 2020, all of the City's policy reserves are fully funded. Surplus balances exceeding policy requirements at the end of the year were \$24.0 million.

A portion of the fiscal year 2018 surplus General Fund balances were allocated to the affordable housing initiative, and the remaining surplus was transferred to the Capital Improvements Fund to support capital infrastructure projects.

Major Initiatives and Service Efforts and Accomplishments for the Year

During fiscal year 2020, 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 2020:

Police

- Held 9 community police events, including Celebration of Women in Policing, Special Olympics, Tip a Cop, National Night Out, Coffee with a Cop, and a Hispanic Outreach.
- Implemented a Nextdoor communication program to enhance engagement with Sedona residents.
- Awarded a grant and purchased 4 Light Detection and Ranging (LIDAR) units to use while conducting speed enforcement as well as 12 speed enforcement details paid for by Governor's Office of Highway Safety (GOHS).
- Awarded a grant for DUI enforcement and patrols throughout the year to pay for officers to work special details in Sedona and throughout the Verde Valley.
- Exceeded the state's clearance rates for violent crimes by 18.9%.
- Exceeded the state's clearance rates for property crimes by 11.5%
- 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 exterior restoration work for buildings at the Ranger Station Park.
- Completed approximately 5 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.
- Eliminated contracted custodial services and hired 2 in-house custodians.

Management Services

- Completed the Greater Sedona/Oak Creek Canyon transit system development and implementation plan.
- Formed a citizen work group to evaluate expenditure limitation options, including exploration of a city-initiated Permanent Base Adjustment for public vote on the August 2020 ballot, culminating in a recommendation and decision by Council that Home Rule is the option that makes most sense for Sedona.
- Developed strategies to improve the City's internal sustainability through the creation of a Municipal Sustainability Plan and initiated a community-based climate action and resiliency plan.
- Completed comprehensive Lean training for approximately 20 internal team members and implemented a committee structure to oversee the completion of Lean projects.

Economic Development

- Completed the five-year Sedona Economic Diversification Plan.
- Acquired \$500,000 of grant funds from the Arizona Commerce Authority to upgrade Shelby Road.
- Partnered with Verde Valley Regional Economic Organization to promote and host the second annual Pioneer Pitch competition in March 2020.

Community Development

- Continued an in-house training program for plan reviews and inspections.
- Completed a comprehensive update to the Building Code.
- Over 400 code enforcement cases processed.
- Completed approximately 4,000 building inspections.
- Initiated a Housing Needs Assessment and Five-Year Affordable Housing Action Plan.

Parks & Recreation

- Offered 21 days of events.
- Installed rubberized playground surfacing for both playgrounds.
- Completed additional phases of the Bike Skills Park to include the Drop Zone and Skills Zone.

Wastewater

- Continued a wastewater rate study.
- Completed construction of 2 lift station upgrade projects.
- Completed construction of the tertiary filter upgrades project.
- Began construction of the State Route 179 sewer main replacement project.
- Developed an in-house CCTV program.
- 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, wastewater, 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 updated the current list of priorities as part of the fiscal year 2021 budget process. The City Council categorized priorities as either "high," "medium," or "low." Some of the fiscal year 2021 priorities include completing various transportation improvements, developing community focus area (CFA) specific area plans, developing strategies for environmental stewardship/sustainability, monitoring and assessing impacts of short-term rentals, developing a plan for addressing affordable housing issues, 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 (CAFR) for the fiscal year ended June 30, 2019. This was the 21st year that the City of Sedona has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2020. To qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Sincerely,

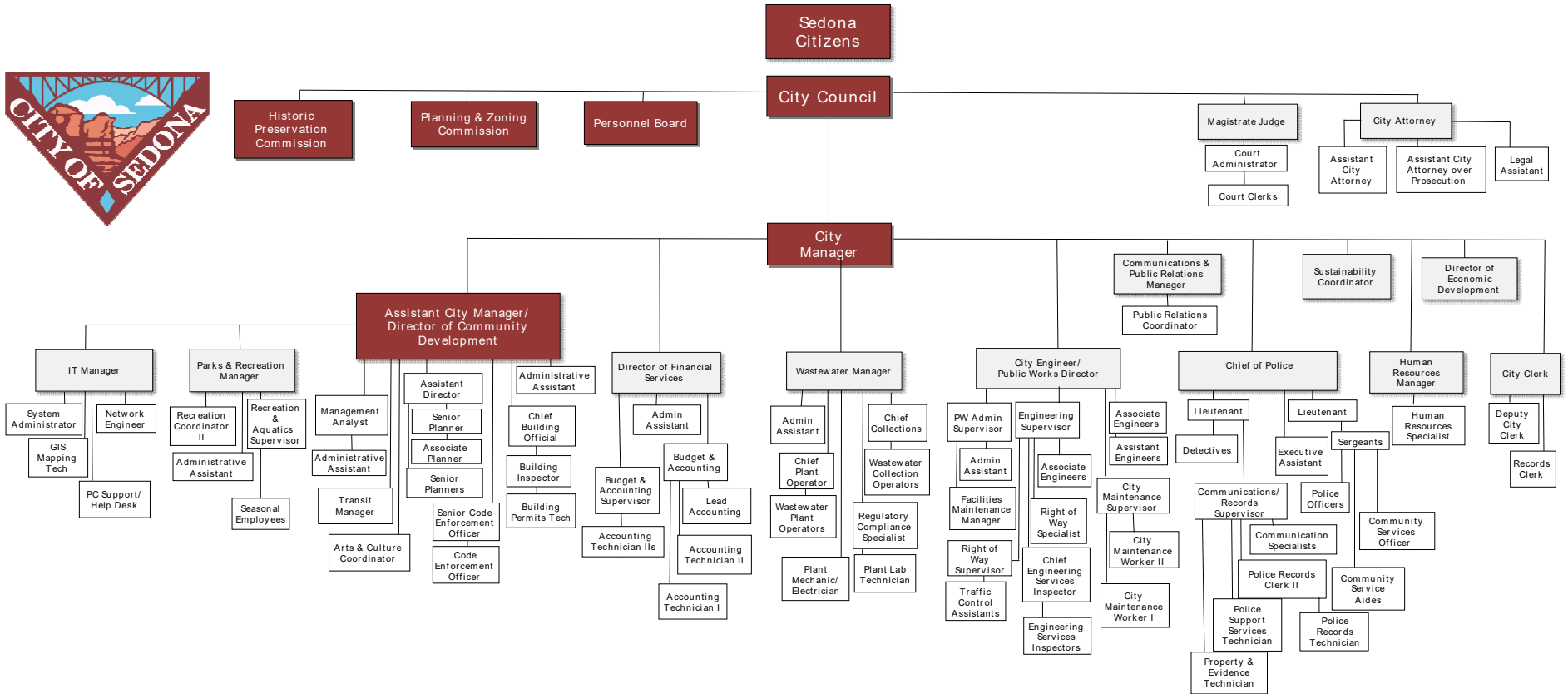


Justin Clifton
City Manager



Cherie R. Wright, CPA, CGFM
Director of Financial Services

**CITY OF SEDONA, ARIZONA
ORGANIZATIONAL CHART
JUNE 30, 2020**



CITY OF SEDONA, ARIZONA
LIST OF ELECTED AND APPOINTED OFFICIALS
JUNE 30, 2020

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, 2019

Christopher P. Morill

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 (City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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, 2020, 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.

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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Phoenix, Arizona
December 29, 2020

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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, 2020. 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 2020 and 2019 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 2020 and 2019 by \$169.1 million and \$157.6 million (net position), respectively. Of these amounts, \$31.6 million and \$33.9 million (unrestricted net position), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position increased by \$11.5 million during fiscal year 2020 and increased \$14.0 million during fiscal year 2019.
- As of June 30, 2020 and 2019, the City's governmental funds reported combined ending fund balances of \$37.2 million and \$35.6 million, respectively, which were comprised of nonspendable, restricted, committed, assigned, and unassigned fund balances.
- At the close of fiscal year 2020, unassigned fund balance for the General Fund was \$12.0 million, or 59.0% of actual expenditures.
- During fiscal year 2020, the City's total bonded debt decreased by \$2.4 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 resources, 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, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-Wide Financial Statements (Continued)

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

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

The government-wide financial statements can be found beginning on page 31 of this report.

Fund Financial Statements

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

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

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

The City maintains several individual governmental funds organized according to their type (general fund, special revenue, and capital projects). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Streets Fund, Transportation Sales Tax Fund, and Capital Improvements Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements in a separate section of this report. The basic governmental fund financial statements begin on page 33 of this report.

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

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

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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 and 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 79 of this report.

Combining and Individual Fund Financial Statements and Schedules

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. The combining and individual fund financial statements and schedules can be found beginning on page 89 of this report.

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, 2020**

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 \$169.1 million and \$157.6 million at the close of the fiscal year 2020 and 2019, respectively.

**CITY OF SEDONA, ARIZONA
CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2020 AND 2019**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 40,924,589	\$ 40,625,512	\$ 22,348,925	\$ 23,628,179	\$ 63,273,514	\$ 64,253,691
Capital assets						
Nondepreciable	18,441,041	13,252,609	11,539,902	12,584,624	29,980,943	25,837,233
Depreciable (net)	35,520,047	33,735,186	92,076,882	90,212,385	127,596,929	123,947,571
Total assets	94,885,677	87,613,307	125,965,709	126,425,188	220,851,386	214,038,495
Deferred outflows of resources	3,495,417	3,770,183	280,334	336,818	3,775,751	4,107,001
Other liabilities	2,619,533	4,075,222	5,540,686	5,307,754	8,160,219	9,382,976
Noncurrent liabilities						
Due within one year	1,474,568	1,488,233	4,364,084	1,453,421	5,838,652	2,941,654
Due in more than one year	19,700,201	19,572,023	20,789,328	27,096,392	40,489,529	46,668,415
Total liabilities	23,794,302	25,135,478	30,694,098	33,857,567	54,488,400	58,993,045
Deferred inflows of resources	922,660	1,391,039	76,960	124,368	999,620	1,515,407
Net position						
Net investment in capital assets	45,125,594	36,964,267	87,704,542	82,872,611	132,830,136	119,836,878
Restricted	4,722,195	3,904,561	1,854	2,571	4,724,049	3,907,132
Unrestricted	23,816,343	23,988,145	7,768,589	9,904,889	31,584,932	33,893,034
Total net position	\$ 73,664,132	\$ 64,856,973	\$ 95,474,985	\$ 92,780,071	\$ 169,139,117	\$ 157,637,044

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 \$132.8 million (78.5%) and \$119.8 million (76.0%) for the fiscal years 2020 and 2019, respectively. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for appropriation. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the City's net position, \$4.7 million (2.8%) for fiscal year 2020 and \$3.9 million (2.5%) for fiscal year 2019, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position for fiscal years 2020 and 2019, \$31.6 million (18.7%), and \$33.9 million (21.5%) 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, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position

The City's net position increased by \$11.5 million and \$14.0 million during the fiscal years 2020 and 2019, 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, 2020 AND 2019**

	Governmental Activities		Business-type Activities		Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for services	\$ 1,172,142	\$ 1,447,667	\$ 6,043,445	\$ 6,251,954	\$ 7,215,587	\$ 7,699,621
Operating grants and contributions	2,671,868	1,724,973	-	-	2,671,868	1,724,973
Capital grants and contributions	1,588,597	1,546,883	1,074,988	573,380	2,663,585	2,120,263
General revenues						
Local taxes	25,810,203	27,643,256	-	-	25,810,203	27,643,256
State revenue sharing	3,068,575	2,954,258	-	-	3,068,575	2,954,258
Investment earnings	815,918	1,003,210	435,820	620,971	1,251,738	1,624,181
Other	194,965	87,431	13,128	18,207	208,093	105,638
Total revenues	35,322,268	36,407,678	7,567,381	7,464,512	42,889,649	43,872,190
Expenses						
General government	3,100,633	2,974,989	-	-	3,100,633	2,974,989
Public safety	7,848,655	6,836,072	-	-	7,848,655	6,836,072
Public works and streets	5,617,752	5,488,876	-	-	5,617,752	5,488,876
Culture and recreation	2,497,360	2,521,273	-	-	2,497,360	2,521,273
Economic development	2,618,729	2,424,664	-	-	2,618,729	2,424,664
Health and welfare	612,522	492,083	-	-	612,522	492,083
Public transportation	255,418	202,363	-	-	255,418	202,363
Housing	280,621	-	-	-	280,621	-
Interest on long-term debt	236,419	281,913	-	-	236,419	281,913
Wastewater	-	-	8,319,467	8,691,487	8,319,467	8,691,487
Total expenses	23,068,109	21,222,233	8,319,467	8,691,487	31,387,576	29,913,720
Increase (decrease) in net position before transfers	12,254,159	15,185,445	(752,086)	(1,226,975)	11,502,073	13,958,470
Transfers	(3,447,000)	(4,599,709)	3,447,000	4,599,709	-	-
Change in net position	8,807,159	10,585,736	2,694,914	3,372,734	11,502,073	13,958,470
Net position - beginning	64,856,973	54,271,237	92,780,071	89,407,337	157,637,044	143,678,574
Net position - ending	<u>\$ 73,664,132</u>	<u>\$ 64,856,973</u>	<u>\$ 95,474,985</u>	<u>\$ 92,780,071</u>	<u>\$ 169,139,117</u>	<u>\$ 157,637,044</u>

Governmental Activities – In fiscal year 2020, governmental activities increased the net position of the City by \$8.8 million. Total revenues decreased \$1.1 million (3.0%) from fiscal year 2019. Program revenues, which are comprised of charges for services, operating and capital grants and contributions, increased \$0.7 million (15.1%) primarily due to one-time Cares Act funding. General revenues, which include local taxes, state revenue sharing, investment income, and other revenues, decreased \$1.8 million (5.7%) due to decreases in tax revenues as a result of the COVID-19 closures.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position (Continued)

Expenses increased \$1.8 million, or 8.7%. Public safety expenses increased \$1.0 million primarily due to an increase in the Public Safety Personnel Retirement System (PSPRS) liability, an increase in depreciation expense, and an increase in information technology costs attributable to the police department.

Economic development expenses increased \$0.2 million due to increases in the tourism management program and the economic diversification program.

Housing expenses increased \$0.3 million due to the initiation of an affordable housing study and grant funded expenses related to transitional housing for the homeless.

Business-Type Activities – Business-type activities increased the City's net position by \$2.7 million in fiscal year 2020. Revenue increased \$0.1 million and expenses decreased by \$0.4 million. The increase in revenue was primarily due to an increase in capacity fees received for new development and commercial connections to the wastewater system. The decrease in expenses was primarily related to a reduction in operational maintenance cost needs.

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, as they represent the portion of fund balance which has not been limited to use for a particular purpose by either an external party, the city itself, or been assigned for particular purposes by the City Council or management.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$37.2 million, an increase of \$1.6 million, or a 4.4% increase in comparison with the prior year. The combined ending fund balances for fiscal year 2019 were \$35.6 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The General Fund is the chief operating fund of the City. At June 30, 2020, the unassigned fund balance of the General Fund was \$12.0 million, or 32.2% of the combined governmental fund balance. The unassigned fund balance of the General Fund at June 30, 2019 was \$9.5 million or 26.5% 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 \$12.0 million represents 59.0% of General Fund expenditures.

The General Fund fund balance increase of \$2.2 million from fiscal year 2019 is partly due to an increase in intergovernmental revenue of \$1.3 million primarily due to Cares Act funding. In addition, fund balance increased due to a reduction of amounts transferred to the Wastewater Fund of \$1.2 million.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

The Streets Fund is used to account for the state shared revenues restricted for street and highway purposes. The fund balance at June 30, 2020 was \$1.3 million. The Streets Fund received a transfer of \$0.2 million from the General Fund to supplement the cost of street improvement projects. The Streets Fund fund balance increased by \$0.5 million 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, 2020 was \$6.9 million. The Transportation Sales Tax Fund fund balance increased \$2.9 million 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 \$3.7 million to \$9.9 million, due to the utilization of balances accumulated for planned capital projects.

The nonmajor governmental funds reported a decrease in fund balance of \$0.3 million. This decrease was a result of the planned use of accumulated monies for capital projects.

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

At the end of the fiscal year, the unrestricted net position for the Wastewater Fund was \$7.7 million. For fiscal year 2020, the change in net position for the Wastewater Fund was \$2.7 million. The increase was due to reductions in operation cost needs and an increase in capacity fees received for new development and commercial connections to the wastewater system.

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, and use of contingency funds.

The actual expenditures reflected a favorable variance to the final budget in the amount of \$3.6 million (14.9%) less than the total appropriations. In fiscal year 2019, actual expenditures showed a favorable variance to final budget in the amount of \$2.2 million (10.0% less).

Unspent contingencies were approximately \$1.7 million. City Manager expenditures were under the budgeted amount by \$0.3 million due to a reduction of anticipated tourism management costs and deferral of costs related to the communication and sustainability programs. 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.

Total revenues reflect an unfavorable variance to budget in the amount of \$0.8 million (2.7%) for fiscal year 2020 and a favorable variance of \$1.4 million (5.0%) in fiscal year 2019.

Sales tax revenues was less than the budget amount by \$1.5 million as a result of COVID-19 closures. Contributions were less than the budget amount by \$0.6 due to one-time budgeted in-lieu contributions that were collected for affordable housing just before the end of the previous fiscal year.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2020 and 2019 amount to \$157.6 million and \$149.8 million, respectively (net of accumulated depreciation). The net increase in capital assets (net of accumulated depreciation) was \$7.8 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, 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, 2020 AND 2019**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land	\$ 9,685,130	\$ 8,790,846	\$ 11,159,413	\$ 11,159,413	\$ 20,844,543	\$ 19,950,259
Construction in progress	8,755,911	4,461,763	380,489	1,425,211	9,136,400	5,886,974
Land Improvements	8,142,272	7,588,772	50,114	36,018	8,192,386	7,624,790
Buildings and improvements	4,741,594	5,034,020	-	-	4,741,594	5,034,020
Wastewater system	-	-	91,245,055	89,802,856	91,245,055	89,802,856
Machinery, equipment, and vehicles	1,261,845	1,183,946	781,713	373,511	2,043,558	1,557,457
Infrastructure	21,374,336	19,928,448	-	-	21,374,336	19,928,448
Total capital assets	<u>\$ 53,961,088</u>	<u>\$ 46,987,795</u>	<u>\$ 103,616,784</u>	<u>\$ 102,797,009</u>	<u>\$ 157,577,872</u>	<u>\$ 149,784,804</u>

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

- Land purchases.
- Various road and pedestrian access improvement projects.
- Solar carport project.
- Various drainage improvement projects.
- Lift station improvement projects.
- Sewer main replacement project.
- 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 5 beginning on page 55 of this report.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At the end of fiscal year 2020, the City, had total bonded debt outstanding of \$20.5 million (including related premium). At the end of fiscal year 2019, the City had bonded debt totaling \$22.9 million. All of the fiscal year 2020 total bonded debt was related to revenue bonds. An additional \$10.3 million of debt is outstanding that is related to capital appreciation bonds issued in fiscal year 1998 that will be paid in fiscal years 2021 through 2024. Capital leases and installment purchases outstanding as of June 30, 2020 were \$0.7 million and \$0.1 million, respectively.

**CITY OF SEDONA, ARIZONA
OUTSTANDING OBLIGATIONS
JUNE 30, 2020 AND 2019**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenue bonds	\$ 6,665,000	\$ 7,550,000	\$ 13,816,499	\$ 15,302,582	\$ 20,481,499	\$ 22,852,582
Capital appreciation bond interest	-	-	10,273,769	12,189,283	10,273,769	12,189,283
Installment purchase	78,943	-	-	-	78,943	-
Capital leases	644,188	619,579	28,021	-	672,209	619,579
Total outstanding debt	\$ 7,388,131	\$ 8,169,579	\$ 24,118,289	\$ 27,491,865	\$ 31,506,420	\$ 35,661,444

The City's total debt decreased by \$4.2 million (11.7%) during the current fiscal year. During the current year the City entered into new leases for vehicles for \$0.3 million and installment purchases for holiday decorations for \$0.1 million. The new issuances were offset by the regularly scheduled payments on the existing outstanding debt.

During the fiscal year, the City's bond rating from Standard & Poor's was increased from "A" to "AA-" based on the City's stable outlook.

State statutes impose certain debt limitations on the City of 6% and 20% of the outstanding secondary assessed valuation of the City depending on the type of general obligation bonds. Since the City has no general obligation bonds, the debt limit and the available debt margin at June 30, 2020, was \$26.3 million in the 6% capacity and \$87.8 million in the 20% capacity. In fiscal year 2019, the 6% capacity limit was \$23.7 million, and the 20% capacity limit was \$79.0 million. Additional information on the debt limitations and capacities may be found on page 113 in the statistical section of this report.

See Notes 8 through 11 on pages 57 - 60 of the financial statements for further information regarding long-term debt.

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. Sedona's economy is heavily based on tourism. An estimated 77% of sales tax revenues are generated by the City's tourism industry.

Fiscal year 2020-21 budgeted General Fund expenditures (including interfund transfers) are balanced with anticipated revenue. The total adopted fiscal year 2020-21 budget is \$51.2 million, which includes capital projects of \$15.3 million. The budget for fiscal year 2021 includes the following considerations:

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (Continued)

- The fiscal year 2020-21 budget process included consideration of multiple tiered scenarios projecting the possible impacts of the financial crisis caused by mandated business closures as a result of the COVID-19 pandemic. The City's financial management plan based on the tiered scenarios developed is intended to be fluid and responsive to everchanging conditions.
- The tourism industry, Sedona's primary industry, is one of the most heavily impacted by COVID-19. The fiscal year 2020-21 budget was developed based on a best-case scenario in case the pandemic ended quickly; however, many budgetary items were frozen pending more information regarding the impacts to the City's financial position. The impacts to the City's sales tax revenues are monitored regularly to evaluate the continued need for budget freezes. Freezes may be lifted on a case-by-case basis when a critical business need is identified.
- The fiscal year 2020-21 budget does not include any new taxes but does include preliminary estimations of increases in wastewater capacity fees, a one-time fee charged to connect to the wastewater system. A wastewater fee study is in process, and currently no revenue increases for monthly service rates are proposed.
- The fiscal year 2020-21 budget includes estimated revenue losses of \$5.8 million in sales taxes and \$0.1 million in state shared revenues.
- No pay increases were included in the fiscal year 2020-21 budget.
- Increases in health insurance rates, pension contributions, and workers compensation rates have been included; however, the additional contribution originally planned to pay down the unfunded liability in the Public Safety Personnel Retirement System (PSPRS) has been suspended for fiscal year 2020-21.
- A Housing Manager position and a part-time Court Security Officer position were added. In addition, the Magistrate Judge position was increased from part-time to full-time.
- Enhancements to the City's environmental stewardship/sustainability program and economic diversification program were included in the fiscal year 2020-21 budget; however, these enhancements were frozen until the City's financial position demonstrates the ability to move forward with these Council priorities.
- The fiscal year 2020-21 budget incorporates various Council priorities, including traffic/transportation improvement projects, environmental stewardship/sustainability, affordable housing, sustainable tourism, economic diversification, and storm drainage improvement projects.
- As previously mentioned, the fiscal year 2020-21 budget was developed based on a best-case scenario. Under that scenario, the budget anticipated all fund balance reserve requirements to be fully funded with a surplus in the General Fund of approximately \$0.6 million (as compared to surpluses projected in prior years of approximately \$2-\$3 million). Actual surpluses determined subsequent to year-end are allocated in the next budget process to Council priorities and/or capital improvement projects. Since Sedona's tourism and sales tax revenues have returned to near "normal" levels after businesses reopened mid-May 2020, the more severe revenue losses anticipated in the other scenarios may not occur.

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, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 36,861,886	\$ 21,691,329	\$ 58,553,215
Restricted assets	3,000	16,750	19,750
Receivables, net of allowance for uncollectibles			
Taxes, net	3,019,657	-	3,019,657
Accounts, net	425,322	564,281	989,603
Accrued interest	89,157	43,138	132,295
Internal balances	(31,433)	31,433	-
Due from other government units	376,889	-	376,889
Prepaid items	30,083	140	30,223
Net pension/OPEB asset	150,028	1,854	151,882
Capital assets:			
Nondepreciable	18,441,041	11,539,902	29,980,943
Depreciable	35,520,047	92,076,882	127,596,929
Total assets	<u>94,885,677</u>	<u>125,965,709</u>	<u>220,851,386</u>
Deferred outflows of resources			
Deferred outflows related to pensions/OPEB	3,151,030	172,406	3,323,436
Deferred charges on debt refunding	344,387	107,928	452,315
Total deferred outflows of resources	<u>3,495,417</u>	<u>280,334</u>	<u>3,775,751</u>
Liabilities			
Accounts payable	439,638	143,669	583,307
Construction contracts payable	673,773	589,817	1,263,590
Accrued wages and benefits	241,420	29,050	270,470
Interest payable	73,235	3,098,888	3,172,123
Matured debt principal payable	885,000	1,400,000	2,285,000
Retainage payable	232,388	185,833	418,221
Due to other governmental units	38,737	-	38,737
Deposits payable	19,350	16,750	36,100
Unearned revenue	15,992	76,679	92,671
Noncurrent liabilities			
Due within one year	1,474,568	4,364,084	5,838,652
Due in more than one year	19,700,201	20,789,328	40,489,529
Total liabilities	<u>23,794,302</u>	<u>30,694,098</u>	<u>54,488,400</u>
Deferred inflows of resources			
Deferred inflows related to pensions/OPEB	922,660	76,960	999,620
Net position			
Net investment in capital assets	45,125,594	87,704,542	132,830,136
Restricted for			
Net pension/OPEB asset	150,028	1,854	151,882
Streets	481,211	-	481,211
Court improvements	52,286	-	52,286
Criminal case processing	50,901	-	50,901
Police Department programs	54,937	-	54,937
Parks improvements	2,536,892	-	2,536,892
Flood control	1,767	-	1,767
Police improvements	37,095	-	37,095
Summit CFD improvements	390,605	-	390,605
Fairfield CFD improvements	119,818	-	119,818
Affordable housing	840,099	-	840,099
Public art	6,556	-	6,556
Unrestricted	23,816,343	7,768,589	31,584,932
Total net position	<u>\$ 73,664,132</u>	<u>\$ 95,474,985</u>	<u>\$ 169,139,117</u>

See accompanying Notes to the Financial Statements.

**CITY OF SEDONA, ARIZONA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

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	\$ 3,100,633	\$ 686,472	\$ 30,787	\$ -	\$ (2,383,374)	\$ -	\$ (2,383,374)
Public safety	7,848,655	385,984	1,226,037	55,924	(6,180,710)	-	(6,180,710)
Public works and streets	5,617,752	19,068	1,154,143	1,247,667	(3,196,874)	-	(3,196,874)
Culture and recreation	2,497,360	80,158	12,700	285,006	(2,119,496)	-	(2,119,496)
Economic development	2,618,729	-	-	-	(2,618,729)	-	(2,618,729)
Health and welfare	612,522	-	-	-	(612,522)	-	(612,522)
Public transportation	255,418	460	33,139	-	(221,819)	-	(221,819)
Housing	280,621	-	215,062	-	(65,559)	-	(65,559)
Interest on long-term debt	236,419	-	-	-	(236,419)	-	(236,419)
Total governmental activities	23,068,109	1,172,142	2,671,868	1,588,597	(17,635,502)	-	(17,635,502)
Business-type activities							
Wastewater	8,319,467	6,043,445	-	1,074,988	-	(1,201,034)	(1,201,034)
Total primary government	<u>\$ 31,387,576</u>	<u>\$ 7,215,587</u>	<u>\$ 2,671,868</u>	<u>\$ 2,663,585</u>	(17,635,502)	(1,201,034)	(18,836,536)
General Revenues							
Taxes							
Sales taxes					\$ 24,329,794	\$ -	\$ 24,329,794
Franchise taxes					809,673	-	809,673
In lieu taxes					670,736	-	670,736
Unrestricted state revenue sharing					1,336,465	-	1,336,465
Unrestricted state sales tax revenue sharing					1,067,529	-	1,067,529
Unrestricted auto lieu tax revenue sharing					664,581	-	664,581
Investment earnings					815,918	435,820	1,251,738
Other					194,965	13,128	208,093
Transfers					(3,447,000)	3,447,000	-
Total general revenues and transfers					<u>26,442,661</u>	<u>3,895,948</u>	<u>30,338,609</u>
Change in net position					8,807,159	2,694,914	11,502,073
Net position - beginning					<u>64,856,973</u>	<u>92,780,071</u>	<u>157,637,044</u>
Net position - ending					<u>\$ 73,664,132</u>	<u>\$ 95,474,985</u>	<u>\$ 169,139,117</u>

See accompanying Notes to the Financial Statements.

**CITY OF SEDONA, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General	Streets	Transportation Sales Tax	Capital Improvements	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 14,095,079	\$ 1,324,032	\$ 6,599,118	\$ 10,543,724	\$ 3,556,963	\$ 36,118,916
Receivables, net of allowance for uncollectibles						
Taxes	2,658,366	-	330,039	-	31,252	3,019,657
Accounts	350,322	-	-	75,000	-	425,322
Accrued interest	34,492	3,323	16,520	24,197	9,143	87,675
Due from other government units	89,779	77,048	-	-	210,062	376,889
Due from other funds	92,547	-	-	-	-	92,547
Prepaid items	29,826	-	-	-	-	29,826
Restricted assets	3,000	-	-	-	-	3,000
Total assets	<u>\$ 17,353,411</u>	<u>\$ 1,404,403</u>	<u>\$ 6,945,677</u>	<u>\$ 10,642,921</u>	<u>\$ 3,807,420</u>	<u>\$ 40,153,832</u>
Liabilities						
Accounts payable	\$ 241,575	\$ -	\$ 2,422	\$ -	\$ 162,726	\$ 406,723
Construction contracts payable	16,713	147,661	-	507,494	1,905	673,773
Accrued wages and benefits	224,236	-	2,162	-	-	226,398
Interest payable	73,235	-	-	-	-	73,235
Matured debt principal payable	885,000	-	-	-	-	885,000
Retainage payable	-	-	-	173,080	59,308	232,388
Due to other funds	-	-	-	-	92,547	92,547
Due to other government units	38,737	-	-	-	-	38,737
Deposits payable	19,350	-	-	-	-	19,350
Unearned revenue	4,745	-	-	-	11,247	15,992
Total liabilities	<u>1,503,591</u>	<u>147,661</u>	<u>4,584</u>	<u>680,574</u>	<u>327,733</u>	<u>2,664,143</u>
Deferred Inflows of Resources						
Deferred inflows - unavailable revenue	257,634	-	-	62,500	-	320,134
Fund Balances (Deficits)						
Nonspendable	29,826	-	-	-	-	29,826
Restricted	943,286	332,018	-	-	3,296,861	4,572,165
Committed	1,403,370	-	6,941,093	-	154,450	8,498,913
Assigned	1,232,035	924,724	-	9,899,847	29,823	12,086,429
Unassigned	11,983,669	-	-	-	(1,447)	11,982,222
Total fund balances (deficits)	<u>15,592,186</u>	<u>1,256,742</u>	<u>6,941,093</u>	<u>9,899,847</u>	<u>3,479,687</u>	<u>37,169,555</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 17,353,411</u>	<u>\$ 1,404,403</u>	<u>\$ 6,945,677</u>	<u>\$ 10,642,921</u>	<u>\$ 3,807,420</u>	<u>\$ 40,153,832</u>

See accompanying Notes to the Financial Statements.

CITY OF SEDONA, ARIZONA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2020

Total Fund Balances for Governmental Funds	\$ 37,169,555
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.	320,134
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Governmental capital assets	83,179,271
Accumulated depreciation	(29,355,901)
Capital assets used in governmental activities	53,823,370
Net pension/OPEB assets held in trust for future benefits are not available for City operations and, therefore, are not reported in the funds.	
	148,966
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	344,387
Deferred outflows related to pensions/OPEB	3,072,647
Deferred inflows related to pensions/OPEB	(878,587)
The internal service fund is used by management to charge the costs of certain activities to individual funds. The assets, deferred outflow of resources, liabilities, and deferred inflows of resources of the internal service fund are included in governmental activities in the Government-Wide Statement of Net Position.	
Net position	273,379
Amount attributable to the business-type activities	(31,433)
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	(6,665,000)
Installment purchase payable	(78,943)
Compensated absences	(580,632)
Capital leases	(644,778)
Net pension/OPEB liability	(12,608,933)
Net position of governmental activities	\$ 73,664,132

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, 2020

	General	Streets	Transportation Sales Tax	Capital Improvements	Nonmajor Funds	Total Governmental Funds
Revenues						
Taxes						
Sales taxes	\$ 21,475,760	\$ -	\$ 2,804,005	\$ -	\$ -	\$ 24,279,765
Franchise taxes	809,673	-	-	-	-	809,673
In lieu taxes	502,647	-	-	-	168,089	670,736
Intergovernmental	4,280,447	1,154,143	-	427,761	244,881	6,107,232
Fines and forfeitures	196,524	-	-	-	-	196,524
Licenses and permits	311,569	-	-	-	-	311,569
Charges for services	671,406	-	-	-	956	672,362
Contributions	-	-	-	50,000	25,029	75,029
Impact fees	-	-	-	-	478,597	478,597
Investment earnings	269,421	34,042	135,028	278,270	86,287	803,048
Other revenues	167,679	-	-	-	-	167,679
Total revenues	<u>28,685,126</u>	<u>1,188,185</u>	<u>2,939,033</u>	<u>756,031</u>	<u>1,003,839</u>	<u>34,572,214</u>
Expenditures						
Current						
General government	2,586,061	-	-	-	5,067	2,591,128
Public safety	7,354,475	-	-	-	29,744	7,384,219
Public works and streets	2,603,594	924,656	42,018	-	-	3,570,268
Culture and recreation	2,264,584	-	-	-	12,714	2,277,298
Economic development	2,611,622	-	-	-	-	2,611,622
Health and welfare	602,680	-	-	-	-	602,680
Public transportation	192,544	-	-	-	-	192,544
Housing	65,559	-	-	-	215,062	280,621
Debt service						
Principal retirement	1,153,970	-	-	-	-	1,153,970
Interest and fiscal charges	187,221	-	-	-	-	187,221
Capital outlay	686,387	-	-	7,377,126	1,047,491	9,111,004
Total expenditures	<u>20,308,697</u>	<u>924,656</u>	<u>42,018</u>	<u>7,377,126</u>	<u>1,310,078</u>	<u>29,962,575</u>
Excess (deficiency) of revenue over expenditures	8,376,429	263,529	2,897,015	(6,621,095)	(306,239)	4,609,639
Other Financing Sources (Uses)						
Transfers in	18,564	190,760	-	2,929,739	49,348	3,188,411
Transfers out	(6,595,311)	-	-	(21,384)	(46,236)	(6,662,931)
Issuance of capital lease	257,392	-	-	-	-	257,392
Issuance of installment purchase	115,720	-	-	-	-	115,720
Proceeds from sale of assets	42,873	-	-	-	-	42,873
Total other financing sources (uses)	<u>(6,160,762)</u>	<u>190,760</u>	<u>-</u>	<u>2,908,355</u>	<u>3,112</u>	<u>(3,058,535)</u>
Net change in fund balances	2,215,667	454,289	2,897,015	(3,712,740)	(303,127)	1,551,104
Fund balances - beginning 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>
Fund balances - end of year	<u>\$ 15,592,186</u>	<u>\$ 1,256,742</u>	<u>\$ 6,941,093</u>	<u>\$ 9,899,847</u>	<u>\$ 3,479,687</u>	<u>\$ 37,169,555</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
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Total Governmental Funds	\$ 1,551,104
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	8,847,196
Less: Current year depreciation	(2,584,535)
The net effect of various miscellaneous transactions involving capital assets (i.e. capital contributions) is to increase net position.	
	735,000
Revenues 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, 2019	(361,945)
Unavailable revenue - June 30, 2020	320,134
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are amortized in the Statement of Activities.	
Principal payments on revenue bonds	885,000
Issuance of capital lease	(257,392)
Issuance of installment purchase	(115,720)
Amortization on deferred amount on refunding	(49,198)
Principal payments on installment purchase	36,777
Principal payments on capital lease	232,193
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	1,946,689
Pension/OPEB contributions	(2,374,649)
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.	
Increase in compensated absences	(101,107)
The internal service fund is used by management to charge the costs of information technology activities to individual funds. The net revenue of the internal service fund is reported with governmental activities in the Statement of Activities.	
	97,612
Change in net position - governmental activities	\$ 8,807,159

See accompanying Notes to the Financial Statements.

CITY OF SEDONA, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Sales taxes	\$ 22,986,400	\$ 22,986,400	\$ 21,475,760	\$ (1,510,640)
Franchise taxes	825,100	825,100	809,673	(15,427)
In lieu taxes	496,500	496,500	502,647	6,147
Intergovernmental	3,021,900	3,021,900	4,280,447	1,258,547
Fines and forfeitures	221,060	221,060	196,524	(24,536)
Licenses and permits	399,750	399,750	311,569	(88,181)
Charges for services	681,600	681,600	671,406	(10,194)
Contributions	625,000	625,000	-	(625,000)
Investment earnings	131,410	131,410	269,421	138,011
Other revenues	98,000	98,000	167,679	69,679
Total revenues	<u>29,486,720</u>	<u>29,486,720</u>	<u>28,685,126</u>	<u>(801,594)</u>
Budgetary expenditures				
City Council	75,970	75,970	61,916	14,054
City Manager	3,602,560	3,596,540	3,290,584	305,956
Human Resources	302,850	302,850	257,735	45,115
Financial Services	1,162,060	1,179,560	1,072,175	107,385
City Attorney	763,240	735,530	646,088	89,442
City Clerk	267,860	267,860	266,079	1,781
Parks and Recreation	763,240	759,240	599,068	160,172
General Services	1,881,006	1,881,006	1,717,418	163,588
Community Development	1,501,210	1,606,210	1,448,895	157,315
Public Works	3,878,085	3,644,444	3,451,201	193,243
Economic Development	256,030	253,830	220,817	33,013
Police	5,522,757	5,521,792	5,222,984	298,808
Municipal Court	626,180	631,464	404,403	227,061
Indirect costs	653,880	653,880	603,500	50,380
Contingency	2,300,000	1,706,700	-	1,706,700
Debt service	1,036,750	1,036,750	1,034,470	2,280
Total expenditures	<u>24,593,678</u>	<u>23,853,626</u>	<u>20,297,333</u>	<u>3,556,293</u>
Excess (deficiency) of revenues over expenditures	4,893,042	5,633,094	8,387,793	2,754,699
Other Financing Sources (Uses)				
Transfers in	-	-	18,564	18,564
Transfers out	(6,086,173)	(6,086,173)	(6,595,311)	(509,138)
Sale of capital assets	11,200	11,200	42,873	31,673
Total other financing sources (uses)	<u>(6,074,973)</u>	<u>(6,074,973)</u>	<u>(6,533,874)</u>	<u>(458,901)</u>
Add back equipment replacement reserve	386,950	386,950	361,748	(25,202)
Net change in fund balance	(794,981)	(54,929)	2,215,667	2,270,596
Fund balance - beginning of year	11,700,060	11,700,060	13,376,519	1,676,459
Fund balance - end of year	<u>\$ 10,905,079</u>	<u>\$ 11,645,131</u>	<u>\$ 15,592,186</u>	<u>\$ 3,947,055</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, 2020

	<u>Budget</u>		
	Original and	Actual	Variance with
	Final		Final Budget
Revenues			
Intergovernmental	\$ 1,001,830	\$ 1,154,143	\$ 152,313
Investment earnings	13,430	34,042	20,612
Total revenues	<u>1,015,260</u>	<u>1,188,185</u>	<u>172,925</u>
Expenditures			
Current			
Public works and streets	1,206,020	924,656	281,364
Total expenditures	<u>1,206,020</u>	<u>924,656</u>	<u>281,364</u>
Excess (deficiency) of revenues over expenditures	(190,760)	263,529	454,289
Other Financing Sources			
Transfers in	<u>190,760</u>	<u>190,760</u>	<u>-</u>
Net change in fund balance	-	454,289	454,289
Fund balance - beginning of year	<u>635,012</u>	<u>802,453</u>	<u>167,441</u>
Fund balance - end of year	<u>\$ 635,012</u>	<u>\$ 1,256,742</u>	<u>\$ 621,730</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, 2020

	<u>Budget</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Sales taxes	\$ 3,028,700	\$ 3,028,700	\$ 2,804,005	\$ (224,695)
Investment earnings	27,800	27,800	135,028	107,228
Total revenues	<u>3,056,500</u>	<u>3,056,500</u>	<u>2,939,033</u>	<u>(117,467)</u>
Expenditures				
Current				
Public works and streets	93,870	98,620	42,018	56,602
Total expenditures	<u>93,870</u>	<u>98,620</u>	<u>42,018</u>	<u>56,602</u>
Excess (deficiency) of revenues over expenditures	2,962,630	2,957,880	2,897,015	(60,865)
Fund balance - beginning of year	<u>4,037,246</u>	<u>4,037,246</u>	<u>4,044,078</u>	<u>6,832</u>
Fund balance - end of year	<u><u>\$ 6,999,876</u></u>	<u><u>\$ 6,995,126</u></u>	<u><u>\$ 6,941,093</u></u>	<u><u>\$ (54,033)</u></u>

See accompanying Notes to the Financial Statements.

**CITY OF SEDONA, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020**

	Business-Type Activities	Governmental Activities
	Wastewater Enterprise Fund	Internal Service Fund
Assets		
Current assets		
Cash and investments	\$ 21,691,329	\$ 742,970
Restricted assets	16,750	-
Receivables, net of allowance for uncollectibles		
Accounts	564,281	-
Accrued interest	43,138	1,482
Prepaid items	140	257
Total current assets	22,315,638	744,709
Noncurrent assets		
Net pension/OPEB asset	1,854	1,062
Capital assets		
Nondepreciable	11,539,902	-
Depreciable (net)	92,076,882	137,718
Total noncurrent assets	103,618,638	138,780
Total assets	125,934,276	883,489
Deferred outflows of resources		
Deferred outflows related to pensions/OPEB	172,406	78,383
Deferred charges on debt refunding	107,928	-
Total deferred outflows of resources	280,334	78,383
Liabilities		
Current liabilities		
Accounts payable	143,669	32,915
Construction contracts payable	589,817	-
Accrued wages and benefits	29,050	15,022
Interest payable	3,098,888	-
Matured debt principal payable	1,400,000	-
Compensated absences payable, current	47,691	21,029
Retainage payable	185,833	-
Bonds payable, current	1,330,000	-
Capital appreciation bond interest, current	2,980,000	-
Capital lease payable, current	6,393	-
Deposits payable	16,750	-
Unearned revenue	76,679	-
Total current liabilities	9,904,770	68,966
Noncurrent liabilities		
Compensated absences payable	20,595	21,778
Capital appreciation bond interest	7,293,769	-
Bonds payable	12,486,499	-
Capital leases payable	21,628	-
Net pension/OPEB liability	966,837	553,676
Total noncurrent liabilities	20,789,328	575,454
Total liabilities	30,694,098	644,420
Deferred inflows related to pensions/OPEB		
	76,960	44,073
Net position		
Net investment in capital assets	87,704,542	137,718
Restricted for net pension/OPEB asset	1,854	1,062
Unrestricted	7,737,156	134,599
Total net position	95,443,552	\$ 273,379
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the enterprise fund over time	31,433	
Net position of business-type activities (page 31)	\$ 95,474,985	

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, 2020

	Business-Type Activities	Governmental Activities
	Wastewater Enterprise Fund	Internal Service Fund
Operating Revenues		
Charges for services	\$ 6,042,785	\$ 1,567,343
Other revenues	13,788	622
Total operating revenues	6,056,573	1,567,965
Operating Expenses		
Salaries and employee benefits	1,374,787	716,025
Supplies and other	2,068,362	708,073
Depreciation	3,575,002	79,130
Total operating expenses	7,018,151	1,503,228
Operating income (loss)	(961,578)	64,737
Nonoperating Revenues (Expenses)		
Investment earnings	435,820	12,870
Interest expense	(1,308,831)	-
Total nonoperating revenues (expenses)	(873,011)	12,870
Income (loss) before capital contributions and transfers	(1,834,589)	77,607
Capital contributions - capacity fees	997,558	-
Capital contributions - developer-contributed sewer lines	77,430	-
Transfers in	3,447,000	27,520
Change in net position (a)	2,687,399	105,127
Net position, beginning of year	92,756,153	168,252
Net position, end of year	\$ 95,443,552	\$ 273,379
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise fund (b)	7,515	
Changes in net position of business-type activities (a) - (b) (page 32)	\$ 2,694,914	

See accompanying Notes to the Financial Statements.

**CITY OF SEDONA, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
Cash flows from operating activities		
Receipts from customers	\$ 6,060,963	\$ 503
Receipts from other funds for goods and services provided	34,159	1,566,840
Receipt of customer deposits	9,000	-
Other receipts	-	622
Payments to suppliers and service providers	(1,368,666)	(573,121)
Payments for employee wages and benefits	(1,401,118)	(595,644)
Payments to other funds for services provided	(787,036)	(116,910)
Return of customer deposits	(9,000)	-
Net cash provided by (used for) operating activities	<u>2,538,302</u>	<u>282,290</u>
Cash flows from noncapital financing activities		
Transfers from other funds	<u>3,447,000</u>	<u>27,520</u>
Cash flows from capital and related financing activities		
Capacity fees	997,558	-
Acquisition and construction of capital assets	(4,257,466)	(54,762)
Principal paid on capital debt	(4,003,942)	-
Interest paid on capital debt	(408,440)	-
Net cash provided by (used for) capital and related financing activities	<u>(7,672,290)</u>	<u>(54,762)</u>
Cash flows from investing activities		
Interest on investments	<u>436,015</u>	<u>12,561</u>
Net change in cash and cash equivalents	(1,250,973)	267,609
Cash and cash equivalents - beginning of year (including \$16,750 for Wastewater Fund reported in restricted accounts)	<u>22,959,052</u>	<u>475,361</u>
Cash and cash equivalents - end of year (including \$16,750 for Wastewater Fund reported in restricted accounts)	<u>\$ 21,708,079</u>	<u>\$ 742,970</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities		
Operating income (loss)	\$ (961,578)	\$ 64,737
Adjustments to reconcile operating income (loss) to net cash from operating activities		
Depreciation expense	3,575,002	79,130
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable, net	35,024	-
Prepaid items	(140)	7,203
Net pension/OPEB asset	717	132
Deferred outflows of resources related to pensions/OPEB	38,496	28,503
Accounts payable	(87,200)	10,839
Accrued wages and benefits	4,689	5,416
Unearned revenue	3,525	-
Compensated absences payable	(568)	5,903
Net pension/OPEB liability	(22,257)	94,136
Deferred inflows of resources related to pensions/OPEB	(47,408)	(13,709)
Net cash provided by (used for) operating activities	<u>\$ 2,538,302</u>	<u>\$ 282,290</u>
Noncash investing, capital, and noncapital financing activities		
Amortization of bond premiums	\$ (86,083)	-
Amortization of deferred amounts on refunding	17,988	-
Amortization of capital appreciation bonds	994,486	-
Contributions of capital assets	77,430	-
Capital lease inception	31,963	-

See accompanying Notes to the Financial Statements.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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), the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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 and combined with the financial statements of the Wastewater Fund, an enterprise fund. 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 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. The Districts have June 30 year-ends. 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. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the City as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

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. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

These statements distinguish between the City's governmental and business-type activities. *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 to external parties.

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. Indirect expenses are allocated to functions and segments based on the benefits received. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate fund financial statements are provided for governmental and proprietary funds, including blended component units. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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 fund are charges to customers for sales and services. Operating expenses 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.

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 highway user revenue fund (HURF) and support from the General Fund. The state shared HURF is primarily funded with tax on gasoline and other fuels but also includes other transportation related fees.

The *Transportation Sales Tax Fund* accounts for the City's half-cent sales tax dedicated to transportation projects and related administrative and operational costs. The tax is currently in effect for 10 years, expiring February 29, 2028.

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

The City reports the following major enterprise funds:

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

The City also reports the following fund types:

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

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

C. Measurement Focus and Basis of Accounting

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

The government-wide and proprietary fund 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 when they have been earned and 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. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, 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, charges for services, court fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. Summary of Significant Accounting Policies (Continued)

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

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, deposits in other types of accounts or cash management pools that have the general characteristic of demand deposit accounts, and highly liquid investments with maturities of three months 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 Federal Deposit Insurance Corporation (FDIC) insured banks; repurchase agreements with a maximum maturity of 180 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 value is the price that would be received to sell an investment in an orderly transaction at year end. The reported value of the state treasurer's pool is the same as the fair value of the pool shares.

2. Restricted Cash and Investments

The City reports restricted cash and investments in the General Fund and Wastewater Fund for customer deposits.

3. Receivables

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

4. 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 cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City 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 Statement No. 34 for phase II governments, only infrastructure assets acquired subsequent to 1980 were included in the government-wide financial statements.

As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

5. Capital Assets (Continued)

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 Statement No. 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.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, and infrastructure of the City are depreciated/amortized using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Useful Life (Years)
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
Public Art	30 Years

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for *deferred outflows of resources*. Deferred outflows of resources represent a consumption of net assets that applies to future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. They are the deferred charge on refunding reported in the government-wide statement of net position, and deferred amounts related to pension and other post employment benefits (OPEB). The deferred charge on refunding resulted from the difference between 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. The deferred amounts related to pension and OPEB relate to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of net position includes a separate section for *deferred inflows of resources*. Deferred inflows of resources represent an acquisition of net assets that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. *Unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the following sources: sales taxes, court fines, grant reimbursements received after the period of availability, and capital participation agreements. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements, the City reports deferred amounts related to pension and OPEB.

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.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

7. Compensated Absences (Continued)

The liability of compensated absences includes salary related benefits, where applicable.

Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2020, the City paid for compensated absences as follows: 84% from the General Fund, 12% from major funds, and 4% from other funds.

8. Long-Term Obligations

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

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

9. 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. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

10. Net Position (Continued)

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

11. Fund Balance Classifications

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balance classifications.

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

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations. Restrictions may be changed or lifted only with the consent of the resource provider.

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 adoption of another ordinance to remove or revise the limitation. 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. By adopted policy, the City Council has authorized the City Manager to make assignments of resources for specific purposes. The City Council may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

As previously mentioned, sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

11. Fund Balance Classifications (Continued)

fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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, as well as a separate budgetary fund balance with a target of the higher of the next fiscal year's "pay-as-you-go" capital obligations or the average of the next five years "pay-as-you-go" capital obligations based on the City's adopted Capital Improvement Plan.
- 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 based on the City's adopted 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.
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.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

2. Stewardship, Compliance, and Accountability (Continued)

A. Budgetary Information (Continued)

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 \$2,065,669 and the bank balance was \$2,060,518. At year-end, \$750,000 of the City’s deposits was covered by federal depository insurance and the remaining \$1,310,518 was collateralized by the Arizona State Treasurer’s pooled collateral program.

Total cash and investments at fair value as reported at June 30, 2020, are as follows:

Deposits	
Cash on hand	\$ 11,497
Cash in bank	2,065,669
Investments	
State Treasurer’s investment pool	28,651,644
Negotiable certificates of deposit	4,199,000
Money market funds	5,470,857
U.S. agency securities	<u>18,174,298</u>
Total deposits and investments	58,572,965
Restricted assets	<u>(19,750)</u>
Total unrestricted deposits and investments	<u><u>\$ 58,553,215</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.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

3. Deposits and Investments (Continued)

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

	Investment maturities (in years)			
	Amount	Less than 1	1 - 3	4-5
U.S. agency securities	\$ 18,174,298	\$ 2,027,032	\$ 14,144,168	\$ 2,003,098
Money market funds	5,470,857	5,470,857	-	\$ -
Negotiable certificates of deposit	4,199,000	1,482,000	2,470,000	247,000
State Treasurer’s investment pools	28,651,644	19,273,968	9,377,676	\$ -
Total investments	\$ 56,495,799	\$ 28,253,857	\$ 25,991,844	\$ 2,250,098

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	\$ 18,174,298
Money market funds	AAAm	S&P	5,470,857
Negotiable certificates of deposit	N/R	N/R	4,199,000
State Treasurer’s Investment Pool 5	AAAf/S1+	S&P	19,238,494
State Treasurer’s Investment Pool 7	N/R	N/R	35,474
State Treasurer’s Investment Pool 500	N/R	N/R	9,377,676
			\$ 56,495,799

Concentration of Credit Risk – The City policy allows a maximum of 5% of the fair 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	\$ 18,174,298	32.17 %
Money market funds	5,470,857	9.68 %
Negotiable certificates of deposit	4,199,000	7.43 %
State Treasurer’s investment pools	28,651,644	50.72 %
Total investments	\$ 56,495,799	100.00 %

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 fair values. Investments valued at NAV utilized net asset values as provided by State of Arizona Treasurer’s Office at June 30, 2020.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

3. Deposits and Investments (Continued)

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 business 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.

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, 2020:

	June 30, 2020	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	\$ 18,174,298	\$ -	\$ 18,174,298	\$ -
Negotiable certificates of deposit	<u>4,199,000</u>	-	<u>4,199,000</u>	-
Total investments by fair value level	<u>22,373,298</u>	<u>\$ -</u>	<u>\$ 22,373,298</u>	<u>\$ -</u>
Investments Measured at Fair Value				
State Treasurer’s Investment Pools	<u>28,651,644</u>			
Total investments measured at fair value	<u>51,024,942</u>			
Investments Measured at Amortized Cost				
Money market funds	<u>5,470,857</u>			
Total investments	<u>\$ 56,495,799</u>			

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

3. Deposits and Investments (Continued)

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. 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	\$ 180,401	\$ -
Sales tax receivable	74,306	-
Federal reimbursement receivables	2,927	-
Miscellaneous unearned fees	-	4,745
Capital Improvements Fund		
Miscellaneous receivable	62,500	-
Nonmajor Governmental Funds		
Grant advances prior to meeting all eligibility requirements	-	11,247
Governmental funds balance sheet total	\$ 320,134	\$ 15,992

Approximately \$135,000 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, \$25,000 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, 2020

5. Capital Assets

A. Governmental Activities

Capital asset activity for governmental activities for the year ended June 30, 2020, was as follows:

	Balance as of June 30, 2019	Additions	Deductions	Balance as of June 30, 2020
Capital assets, not being depreciated				
Land	\$ 8,790,846	\$ 894,284	\$ -	\$ 9,685,130
Construction in progress	4,461,763	7,275,096	(2,980,948)	8,755,911
Total capital assets, not being depreciated	<u>13,252,609</u>	<u>8,169,380</u>	<u>(2,980,948)</u>	<u>18,441,041</u>
Capital assets, being depreciated				
Land improvements	10,475,712	846,772	-	11,322,484
Building and improvements	9,312,429	95,404	-	9,407,833
Machinery, equipment, and vehicles	4,694,078	525,402	(43,974)	5,175,506
Infrastructure	36,718,627	2,980,948	-	39,699,575
Total capital assets, being depreciated	<u>61,200,846</u>	<u>4,448,526</u>	<u>(43,974)</u>	<u>65,605,398</u>
Less accumulated depreciation for				
Land improvements	(2,886,940)	(293,272)	-	(3,180,212)
Building and improvements	(4,278,407)	(387,832)	-	(4,666,239)
Machinery, equipment, and vehicles	(3,510,139)	(447,496)	43,974	(3,913,661)
Infrastructure	(16,790,174)	(1,535,065)	-	(18,325,239)
Total accumulated depreciation	<u>(27,465,660)</u>	<u>(2,663,665)</u>	<u>43,974</u>	<u>(30,085,351)</u>
Total capital assets, being depreciated, net	<u>33,735,186</u>	<u>1,784,861</u>	<u>-</u>	<u>35,520,047</u>
Governmental activities capital assets, net	<u>\$ 46,987,795</u>	<u>\$ 9,954,241</u>	<u>\$ (2,980,948)</u>	<u>\$ 53,961,088</u>

B. Business-Type Activities

Capital asset activity for business-type activities for the year ended June 30, 2020, was as follows:

	Balance as of June 30, 2019	Additions	Deductions	Balance as of June 30, 2020
Capital assets, not being depreciated				
Land	\$ 11,159,413	\$ -	\$ -	\$ 11,159,413
Construction in progress	1,425,211	3,611,497	(4,656,219)	380,489
Total capital assets, not being depreciated	<u>12,584,624</u>	<u>3,611,497</u>	<u>(4,656,219)</u>	<u>11,539,902</u>
Capital assets, being depreciated				
Land improvements	36,755	14,945	-	51,700
Wastewater system	139,027,648	4,811,100	-	143,838,748
Machinery, equipment, and vehicles	5,443,805	613,454	(25,579)	6,031,680
Total capital assets, being depreciated	<u>144,508,208</u>	<u>5,439,499</u>	<u>(25,579)</u>	<u>149,922,128</u>
Less accumulated depreciation for				
Land improvements	(737)	(849)	-	(1,586)
Wastewater system	(49,224,792)	(3,368,901)	-	(52,593,693)
Machinery, equipment, and vehicles	(5,070,294)	(205,252)	25,579	(5,249,967)
Total accumulated depreciation	<u>(54,295,823)</u>	<u>(3,575,002)</u>	<u>25,579</u>	<u>(57,845,246)</u>
Total capital assets, being depreciated, net	<u>90,212,385</u>	<u>1,864,497</u>	<u>-</u>	<u>92,076,882</u>
Business-type activities capital assets, net	<u>\$ 102,797,009</u>	<u>\$ 5,475,994</u>	<u>\$ (4,656,219)</u>	<u>\$ 103,616,784</u>

**CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

5. Capital Assets (Continued)

C. Depreciation Expense

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General government	\$ 270,000
Public safety	339,832
Public works and streets	1,802,938
Culture and recreation	171,765
Internal service fund	<u>79,130</u>
Total governmental activities depreciation expense	<u>\$ 2,663,665</u>
Business-type Activities	
Wastewater	<u>\$ 3,575,002</u>

6. Construction Commitments

The City has active construction projects at June 30, 2020. At fiscal year end, the City's commitments with contractors were as follows:

Project	Spent-to-date	Remaining Commitment
Governmental activities		
Sunset Drive Crossing Drainage	\$ 115,070	\$ 125,368
Thunder Mountain Road Drainage	1,453,199	1,309,567
Uptown Roadway Improvements	5,096,899	41,364
Portal Lane/Ranger Road Connection	69,280	42,730
Uptown Lighting Projects	2,500	54,500
Police Department Radio Signal Project	229,980	4,939
Police Facility Expansion	118,339	107,852
Shooting Range Improvements	178,787	189,507
Pedestrian Crossing at Tlaquepaque	253,065	299,499
Forest Road Connection	<u>204,603</u>	<u>386,680</u>
Total governmental activities	<u>\$ 7,721,722</u>	<u>\$ 2,562,006</u>
Project	Spent to Date	Remaining Commitment
Business-type activities		
State Route 179 Sewer Main Replacement	\$ 380,489	\$ 1,754,335
Total business-type activities	<u>\$ 380,489</u>	<u>\$ 1,754,335</u>

7. Interfund Receivables, Payables, and Transfers

The City pools cash and investments for cash management purposes and improved performance. At June 30, 2020, the Grants & Donations Fund, a nonmajor governmental fund, had a deficit balance of \$92,547 that represents internal borrowing of pooled assets. An interfund receivable and payable has been recorded between the Grants & Donations Fund and the General Fund to reflect this internal borrowing. Due to its short-term nature, the interfund receivable and payable have been labeled as due to/from other funds in the fund financial statements.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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

Interfund transfers for the year ended June 30, 2020 consisted of the following:

Transfers to	Transfers from			Total
	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ 18,564	\$ 18,564
Streets Fund	190,760	-	-	190,760
Capital Improvements Fund	2,902,067	-	27,672	2,929,739
Nonmajor Governmental Funds	27,964	21,384	-	49,348
Wastewater Fund	3,447,000	-	-	3,447,000
Internal Service Fund	27,520	-	-	27,520
Totals	<u>\$ 6,595,311</u>	<u>\$ 21,384</u>	<u>\$ 46,236</u>	<u>\$ 6,662,931</u>

During the year, transfers are used to (1) move General Fund resources assigned each year to support the Capital Improvements Fund (\$1,500,000), (2) move General Fund resources to provide an annual subsidy to the Wastewater Fund (\$3,447,000) and the Streets Fund (\$190,760), (3) fund the Art in Public Places Fund, a nonmajor governmental fund, with 1% of construction projects funded with unrestricted monies (\$21,384), and (4) move paid parking revenues to the Internal Service Fund for information technology costs associated with the paid parking program (\$27,520).

Further, during the year ended June 30, 2020, the City made the following one-time transfers:

- A transfer of surplus balances from the General Fund to the Capital Improvements Fund (\$384,319) and a transfer of paid parking revenues pledged for improvements in Uptown to cover capital project costs (\$1,017,748).
- Close out of miscellaneous accounts in the nonmajor governmental funds.

8. Obligations Under Installment Purchase Contracts

The City has acquired holiday decorations under a contract agreement at a total purchase price of \$115,720. The assets acquired are as follows:

	Governmental activities
Holiday decorations	\$ 115,720
Less: accumulated depreciation	(19,603)
Carrying Value	<u>\$ 96,117</u>

The following schedule details debt service requirements to maturity for the City's installment purchase contracts payable at June 30, 2020:

Year ending June 30	Governmental Activities		
	Principal	Interest	Totals
2021	\$ 38,545	\$ 3,297	\$ 41,842
2022	40,398	1,445	41,843
Total	<u>\$ 78,943</u>	<u>\$ 4,742</u>	<u>\$ 83,685</u>

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

9. Obligations Under Capital Leases

The City has acquired vehicles and building improvements under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The following assets were acquired through capital leases:

	Governmental Activities	Business Activities	Totals
Motor vehicles	\$ 990,467	\$ 35,795	\$ 1,026,261
Building improvements	373,498	-	373,498
Less: accumulated depreciation	(736,662)	(5,994)	(742,656)
Carrying Value	<u>\$ 627,303</u>	<u>\$ 29,801</u>	<u>\$ 657,103</u>

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

Year ending June 30	Governmental Activities	Business Activities	Totals
2021	\$ 168,102	\$ 7,436	\$ 175,538
2022	96,511	7,436	103,948
2023	97,250	7,436	104,686
2024	98,003	7,436	105,439
2025	60,726	2,851	63,577
2026 to 2030	206,325	-	206,325
2031 to 2032	39,110	-	39,110
Total minimum payments	<u>766,027</u>	<u>32,595</u>	<u>798,623</u>
Less: Amount representing interest	(121,250)	(4,575)	(125,824)
Present value of net minimum payments	<u>\$ 644,778</u>	<u>\$ 28,021</u>	<u>\$ 672,799</u>

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

10. Bonds Payable

The following is a list of revenue obligation bonds outstanding as of June 30, 2020.

Description	Original Issue Amount	Interest rate	Maturity date	Amount
Governmental activities				
Revenue bonds				
Excise Tax Revenue Refunding Bonds, Second Series 2015	<u>\$ 8,030,000</u>	1.94%	7/1/21-27	<u>\$ 6,665,000</u>
Business-type activities				
Revenue bonds				
Excise Tax Revenue Bonds Series 1998	41,035,000	5.2-5.24%	7/1/21-24	4,905,000
Excise Tax Revenue Refunding Bonds, Series 2012	<u>8,395,000</u>	4.5%	7/1/25-26	<u>8,395,000</u>
Total business-type activities revenue bonds	<u>49,430,000</u>			<u>13,300,000</u>
Total revenue bonds	<u>\$57,460,000</u>			<u>\$ 19,965,000</u>

The City has pledged future excise taxes to repay the excise tax revenue obligations as listed above. Proceeds of the bonds were used for various construction improvements and to refund and refinance various bonds and certificates of participation. The bonds are payable solely from excise taxes. Maturity dates are from July 1, 2020 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 \$19,965,000 in excise tax revenue refunding bonds, plus \$14,943,635 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 \$25,742,670. In the current year, total principal paid was \$2,285,000 and interest paid was \$3,434,245.

Debt service requirements on bonds payable at June 30, 2020 are as follows:

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 900,000	\$ 129,301	\$ 1,330,000	\$ 3,357,775
2022	920,000	111,841	1,255,000	3,432,775
2023	935,000	93,993	1,190,000	3,497,775
2024	945,000	75,854	1,130,000	3,557,775
2025	970,000	57,521	4,105,000	377,775
2026-2027	<u>1,995,000</u>	<u>58,200</u>	<u>4,290,000</u>	<u>193,050</u>
Totals	<u>\$ 6,665,000</u>	<u>\$ 526,710</u>	<u>\$ 13,300,000</u>	<u>\$ 14,416,925</u>

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

11. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended June 30, 2020, are as follows:

	July 1, 2019	Increases	Decreases	June 30, 2020	Due within one year
Governmental activities					
Bonds payable					
Revenue bonds	\$ 7,550,000	\$ -	\$ (885,000)	\$ 6,665,000	\$ 900,000
Other liabilities					
Compensated absences	516,429	441,053	(334,043)	623,439	392,256
Installment purchases	-	115,720	(36,777)	78,943	38,545
Capital leases	619,579	257,392	(232,193)	644,778	143,767
Net pension/OPEB liability	12,374,248	788,361	-	13,162,609	-
Total other liabilities	<u>13,510,256</u>	<u>1,602,526</u>	<u>(603,013)</u>	<u>14,509,769</u>	<u>574,568</u>
Total governmental activities long-term obligations	<u>\$ 21,060,256</u>	<u>\$ 1,602,526</u>	<u>\$ (1,488,013)</u>	<u>\$ 21,174,769</u>	<u>\$ 1,474,568</u>
	July 1, 2019	Increases	Decreases	June 30, 2020	Due within one year
Business-type activities					
Bonds payable and related interest					
Revenue bonds	\$ 14,700,000	\$ -	\$ (1,400,000)	\$ 13,300,000	\$ 1,330,000
Capital appreciation bond interest	12,189,283	994,486	(2,910,000)	10,273,769	2,980,000
Premiums	602,582	-	(86,083)	516,499	-
Total bonds payable and related interest	<u>27,491,865</u>	<u>994,486</u>	<u>(4,396,083)</u>	<u>24,090,268</u>	<u>4,310,000</u>
Other liabilities:					
Compensated absences	68,854	12,876	(13,444)	68,286	47,691
Capital leases	-	31,963	(3,942)	28,021	6,393
Net pension/OPEB liability	989,094	-	(22,257)	966,837	-
Total other liabilities	<u>1,057,948</u>	<u>44,839</u>	<u>(39,643)</u>	<u>1,063,144</u>	<u>54,084</u>
Total business-type activities long-term obligations	<u>\$ 28,549,813</u>	<u>\$ 1,039,325</u>	<u>\$ (4,435,726)</u>	<u>\$ 25,153,412</u>	<u>\$ 4,364,084</u>

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

12. Fund Balance

The following represents the classifications of the City's fund balance for fiscal year ended June 30, 2020:

	General Fund	Streets Fund	Transportation Sales Tax Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total
Nonspendable						
Prepaid items	\$ 29,826	\$ -	\$ -	\$ -	\$ -	\$ 29,826
Restricted						
Streets	-	332,018	-	-	149,193	481,211
Court improvements	52,286	-	-	-	-	52,286
Criminal case processing	50,901	-	-	-	-	50,901
Police Department programs	-	-	-	-	54,937	54,937
Parks capital improvements	-	-	-	-	2,536,890	2,536,890
Flood control	-	-	-	-	1,767	1,767
Police capital improvements	-	-	-	-	37,095	37,095
Summit CFD capital improvements	-	-	-	-	390,606	390,606
Fairfield CFD capital improvements	-	-	-	-	119,817	119,817
Affordable housing	840,099	-	-	-	-	840,099
Public art	-	-	-	-	6,556	6,556
Committed						
Affordable housing	1,224,888	-	-	-	-	1,224,888
Court enhancements	178,482	-	-	-	-	178,482
Military Park	-	-	-	-	8,401	8,401
Transportation projects	-	-	6,941,093	-	-	6,941,093
Art in public places	-	-	-	-	146,049	146,049
Assigned						
Budget carryovers	217,000	-	-	-	-	217,000
Streets	-	924,724	-	-	-	924,724
Capital improvements	-	-	-	9,899,847	-	9,899,847
Equipment replacement	1,015,035	-	-	-	-	1,015,035
Employee Programs	-	-	-	-	1,811	1,811
Special events	-	-	-	-	21,268	21,268
Park improvements	-	-	-	-	1,121	1,121
Police Explorers program	-	-	-	-	1,935	1,935
Police Department programs	-	-	-	-	3,668	3,668
Recreation programs	-	-	-	-	20	20
Unassigned						
	11,983,669	-	-	-	(1,447)	11,982,222
Totals	<u>\$ 15,592,186</u>	<u>\$ 1,256,742</u>	<u>\$ 6,941,093</u>	<u>\$ 9,899,847</u>	<u>\$ 3,479,687</u>	<u>\$ 37,169,555</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 (AMRRP), a public entity risk pool currently operating as a common risk management and insurance program for approximately 73 members. The limit for basic coverage is for \$2,000,000 per occurrence on a claims-made basis with a \$6,000,000 annual aggregate limit. Excess coverage is for an additional \$8,000,000 per occurrence on a follow form, claims-made basis. No significant insurance coverage reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years. AMRRP is structured such that member's premiums are based on an actuarial review that will provide adequate reserves to allow AMRRP to meet its expected financial obligations. AMRRP has the authority to assess its member's additional premiums should reserves and annual premiums be insufficient to meet the obligations.

**CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

13. Risk Management (Continued)

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 (AMWCP) together with other governments in the state for risks of loss related to workers' compensation claims. AMWCP 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.

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, 2020, the City reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

	Governmental activities	Business-type activities	Total
Statement of net position and statement of activities			
Net pension and OPEB asset	\$ 150,028	\$ 1,854	\$ 151,882
Net pension and OPEB liability	13,162,609	966,837	14,129,446
Deferred outflows of resources related to pensions and OPEB	3,151,030	172,406	3,323,436
Deferred inflows of resources related to pensions and OPEB	922,660	76,960	999,620
Pension and OPEB expense	2,025,658	137,896	2,163,554

The City's accrued payroll and employee benefits includes \$40,823 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2020. Also, the City reported \$1,584,507 of pension and OPEB contributions as expenditures in the governmental funds and \$122,849 of pension and OPEB contributions as expenses in the enterprise fund and \$50,004 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, 2020**

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 earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the 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, 2020

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, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 12.11 percent (11.94 percent for retirement and 0.17 percent for long-term disability) of the members' annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 12.11 percent (11.45 percent for retirement, 0.49 percent for health insurance premium benefit, and 0.17 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 10.41 percent (10.29 percent for retirement, 0.05 percent for health insurance premium benefit, and 0.07 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, 2020, were \$747,790, \$30,414, and \$11,240, respectively.

During fiscal year 2020, the City paid for ASRS pension and OPEB contributions as follows: 78.1 percent from the General Fund, 15.6 percent from major funds, and 6.3 percent from other funds.

Liability - At June 30, 2020, 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	\$ 8,828,191
Health insurance premium benefit	(17,008)
Long-term disability	39,855

The net asset and net liabilities were measured as of June 30, 2019. 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, 2018, to the measurement date of June 30, 2019.

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, 2019. The City's proportions measured as of June 30, 2019, and the change from its proportions measured as of June 30, 2018, were:

	Proportion June 20, 2019	Increase/Decrease from June 30, 2018
Pension	0.06067 %	(0.00113)%
Health insurance premium benefit	0.06154 %	(0.00090)%
Long-term disability	0.06118 %	(0.00073)%

Expense - For the year ended June 30, 2020, the City recognized the following pension and OPEB expense.

	Pension/OPEB expense
Pension	\$ 1,230,445
Health insurance premium benefit	21,354
Long-term disability	13,018

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

14. Retirement Plans (Continued)

A. Arizona State Retirement System (Continued)

Deferred outflows/inflows of resources - At June 30, 2020, 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	\$ 159,484	\$ 1,660	\$ -	\$ 20,330	\$ 4,709	\$ -
Changes of assumptions or other inputs	37,317	351,556	33,445	-	5,962	-
Net difference between projected and actual earnings on plan investments	-	198,427	-	22,116	-	850
Changes in proportion and differences between City contributions and proportionate share of contributions	212,428	110,612	132	41	1,053	295
City contributions subsequent to the measurement date	747,790	-	30,414	-	11,240	-
Total	\$ 1,157,019	\$ 662,255	\$ 63,991	\$ 42,487	\$ 22,964	\$ 1,145

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, 2021. 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	Long-term disability
2021	\$ 19,506	\$ (7,335)	\$ 1,095
2022	(287,570)	(7,335)	1,095
2023	(38,106)	2,098	1,925
2024	53,144	4,145	2,077
2025	-	(483)	1,760
Thereafter	-	-	2,627

**CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2018
Actuarial roll forward date	June 30, 2019
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, 2018, 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 %	6.09%
Credit	20 %	5.36%
Interest rate sensitive bonds	10 %	1.62%
Real estate	20 %	5.85%
	<u>100 %</u>	

Discount rate - The discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

**CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

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:

City's Proportionate share of the	<u>1% Decrease (6.5%)</u>	<u>Current discount rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Net pension liability	\$ 12,564,561	\$ 8,828,191	\$ 5,705,548
Net insurance premium benefit liability (asset)	86,148	(17,008)	(104,899)
Net long-term disability liability	44,109	39,855	35,731

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 cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) 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, 2020**

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 service, 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, 2020**

14. Retirement Plans (Continued)

B. Public Safety Personnel Retirement System (Continued)

Employees covered by benefit terms - At June 30, 2019, the following employees were covered by the agent plans' benefit terms:

	PSPRS Police	
	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	13	13
Inactive employees entitled to but not yet receiving benefits	7	1
Active employees	23	23
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, 2020, 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%	31.12 %	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	18.74 %	0.00 %

The City's contributions to the plans for the year ended June 30, 2020, were:

	Pension	Health insurance premium benefit
PSPRS Police	\$ 967,916	\$ -

During fiscal year 2020, the City paid for PSPRS pension and OPEB contributions as follows: 99.9% from the General Fund and 0.1% from the Grants and Donations Fund.

**CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

14. Retirement Plans (Continued)

B. Public Safety Personnel Retirement System (Continued)

Liability - At June 30, 2020, the City reported the following assets and liabilities.

	Net Pension (asset) liability	Net OPEB (asset) liability
PSPRS Police	\$ 5,261,400	\$ (134,874)

The net assets and net liabilities were measured as of June 30, 2019, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

During the fiscal year 2020 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 18-year unfunded liability amortization period. The City Council approved an additional contribution of approximately \$456,000 over the actuarially required contribution amount for fiscal year 2020.

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

Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2019, 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, 2020**

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 7.3 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 %	4.01%
Fixed income	5 %	3.00%
Real assets	9 %	6.75%
GTS	12 %	4.01%
Private credit	16 %	5.36%
Real estate	10 %	4.50%
Private equity	12 %	8.40%
Non-U.S. equity	14 %	5.00%
U.S. equity	16 %	4.75%
Total	<u>100 %</u>	

Discount rate - At June 30, 2019, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2018. 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, 2020

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 pension liability (a)	Plan fiduciary net position (b)	Net pension (asset) liability (a) - (b)	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB (asset) liability (a) - (b)
Balances at June 30, 2019	\$12,298,407	\$ 7,586,338	\$ 4,712,069	\$ 185,505	\$ 307,092	\$ (121,587)
Changes for the year						
Service cost	370,528	-	370,528	6,453	-	6,453
Interest on the total liability	913,618	-	913,618	13,924	-	13,924
Differences between expected and actual experience in the measurement of the liability	394,857	-	394,857	(19,338)	-	(19,338)
Changes of assumptions or other inputs	360,590	-	360,590	1,877	-	1,877
Contributions - employer	-	894,934	(894,934)	-	-	-
Contributions - employee	-	148,600	(148,600)	-	-	-
Net investment income	-	455,645	(455,645)	-	16,488	(16,488)
Benefit payments, including refunds of employee contributions	(645,490)	(645,490)	-	(7,596)	(7,596)	-
Administrative expense	-	(8,917)	8,917	-	(285)	285
Net changes	<u>1,394,103</u>	<u>844,772</u>	<u>549,331</u>	<u>(4,680)</u>	<u>8,607</u>	<u>(13,287)</u>
Balances at June 30, 2020	<u>\$13,692,510</u>	<u>\$ 8,431,110</u>	<u>\$ 5,261,400</u>	<u>\$ 180,825</u>	<u>\$ 315,699</u>	<u>\$ (134,874)</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 7.3 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 (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

	Current discount rate		
	1% Decrease (6.3%)	(7.3%)	1% Increase (8.3%)
PSPRS Police			
Net pension (asset) liability	\$ 7,219,931	\$ 5,261,400	\$ 3,674,661
Net OPEB (asset) liability	\$ (111,657)	\$ (134,874)	\$ (154,208)

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, 2020, the City recognized the following pension and OPEB expense:

	Pension expense	OPEB expense
PSPRS Police	\$ 907,770	\$ (9,033)

**CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

14. Retirement Plans (Continued)

B. Public Safety Personnel Retirement System (Continued)

Deferred outflows/inflows of resources - At June 30, 2020, 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	\$ 368,781	\$ 260,126	\$ 2,155	\$ 27,000
Changes of assumptions or other inputs	675,310	-	1,608	6,607
Net difference between projected and actual earnings on plan investments	62,750	-	942	-
City contributions subsequent to the measurement date	967,916	-	-	-
Total	<u>\$ 2,074,757</u>	<u>\$ 260,126</u>	<u>\$ 4,705</u>	<u>\$ 33,607</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, 2021. 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
2021	\$ 268,491	\$ (7,266)
2022	148,805	(7,265)
2023	163,609	(5,012)
2024	139,902	(4,476)
2025	125,908	(2,388)
Thereafter	-	(2,495)

PSPDCRP plan - The PSPDCRP is a defined contribution pension plan. The PSPRS Board of Trustees governs the PSPDCRP according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.1. Benefit terms, including contribution requirements, are established by State statute.

For the year ended June 30, 2020, active PSPDCRP members were required by statute to contribute at least 5 percent of the members' annual covered payroll, and the City was required by statute to contribute 5 percent of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the earnings on those contributions. Employees vest in a portion of the City's contributions each year as set forth in statute. The plan retains nonvested County contributions when forfeited because of employment terminations. For the year ended June 30, 2020, the City recognized pension expense of \$35,826.

**CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

15. Contingent Liabilities

The City participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the City's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City anticipates such amounts, if any, will be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

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 and installment purchases as other financing sources and offsetting expenditures. This activity is not included in the City's adopted budget approved by Council.
2. The General Fund as reported in the Budgetary Comparison Schedule includes departmental contributions to an equipment replacement reserve as expenditures.

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

	<u>Total</u>	<u>Other Financing Sources (Uses)</u>
Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 20,308,697	\$ (6,160,762)
Capital lease and installment purchase proceeds and expenditures included in Statement of Revenues, Expenditures, and Changes in Fund Balances	(373,112)	(373,112)
Equipment replacement reserve charge included for budgetary basis presentation	361,748	-
Budgetary Comparison Schedule - General Fund	<u>\$ 20,297,333</u>	<u>\$ (6,533,874)</u>

17. Subsequent Events

In August 2020, the City entered into a lease purchase agreement for \$185,261 for the replacement of the Police Department's video system to include a pilot program for body-worn video cameras.

In September 2020, the City entered into a lease purchase agreement for \$67,442 for the replacement of a Police Department vehicle.

In September 2020, the City purchased land for the sum of \$947,500 for potential use as a roadway connection and/or the future location of a transit hub to complement the development of a transit program within the City of Sedona and the surrounding area.

In September 2020, the City entered into a construction contract for \$2,058,728 for mill and overlay, drainage improvements, and the addition of a shared-use path along Thunder Mountain Road/Sanborn Drive.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

17. Subsequent Events (Continued)

In October 2020, the City entered into a construction contract for \$956,960 for drainage improvements at the low-water crossing of the Carroll Canyon Wash across Sunset Drive.

In November 2020, the City entered into a lease purchase agreement for \$183,119 for the replacement of three additional Police Department vehicles.

In November 2020, the City entered into a design contract for \$1,518,050 for a parking garage in the Uptown area.

In December 2020, the City entered into a construction contract for \$731,565 for a shared-use path along Dry Creek Road.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

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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 2011
	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014	
ASRS-Pension							
City's proportion of the net pension liability	0.060670 %	0.061800 %	0.058470 %	0.054700 %	0.051940 %	0.050427 %	Information not available
City's proportionate share of the net pension liability	\$ 8,828,191	\$ 8,618,925	\$ 9,108,486	\$ 8,829,130	\$ 8,090,772	\$ 7,461,507	
City's covered payroll	\$ 6,348,867	\$ 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	139.05 %	141.68 %	160.52 %	170.44 %	165.15 %	160.17 %	
Plan fiduciary net position as a percentage of the total pension liability	73.24 %	73.40 %	69.92 %	67.06 %	68.35 %	69.49 %	

	Reporting fiscal year (measurement date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011
ASRS - Health insurance premium benefit				
City's proportion of the net OPEB liability (asset)	0.061540 %	0.062440 %	0.058890 %	Information not available
City's proportionate share of the net OPEB liability (asset)	\$ (17,008)	\$ (22,484)	\$ (32,060)	
City's covered payroll	\$ 6,348,867	\$ 6,083,565	\$ 5,674,189	
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	(0.27)%	(0.37)%	(0.57)%	
Plan fiduciary net position as a percentage of the total OPEB liability	101.62 %	102.20 %	103.57 %	

	Reporting fiscal year (measurement date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011
ASRS - Long-term Disability				
City's proportion of the net OPEB liability	0.06118 %	0.06191 %	0.05851 %	Information not available
City's proportionate share of the net OPEB liability	\$ 39,855	\$ 32,348	\$ 21,209	
City's covered payroll	\$ 6,348,867	\$ 6,083,565	\$ 5,674,189	
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.63 %	0.53 %	0.37 %	
Plan fiduciary net position as a percentage of the total OPEB liability	72.85 %	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)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
PSPRS Police							
Total pension liability							Information not available
Service cost	\$ 370,528	\$ 356,017	\$ 418,975	\$ 292,709	\$ 299,781	\$ 226,906	
Interest on the total pension liability	913,618	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	394,857	(232,384)	(31,720)	108,055	(309,534)	(285,532)	
Changes of assumptions or other inputs	360,590	-	277,336	411,683	-	872,086	
Benefit payments, including refunds of employee contributions	(645,490)	(493,585)	(482,678)	(465,793)	(387,285)	(564,587)	
Net change in total pension liability	1,394,103	498,175	1,116,727	1,543,298	293,958	993,350	
Total pension liability - beginning	12,298,407	11,800,232	10,683,505	9,140,207	8,846,249	7,852,899	
Total pension liability - ending (a)	<u>\$ 13,692,510</u>	<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	\$ 894,934	\$ 879,735	\$ 444,238	\$ 483,472	396,718	\$ 287,018	
Contributions - employee	148,600	204,147	178,624	182,485	185,850	158,370	
Net investment income	455,645	510,813	722,712	35,088	193,322	647,862	
Benefit payments, including refunds of employee contributions	(645,490)	(493,585)	(482,678)	(465,793)	(387,285)	(564,587)	
Administrative expense	(8,917)	(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	844,772	945,815	838,845	238,587	388,303	286,696	
Plan fiduciary net position - beginning	7,586,338	6,640,523	5,801,678	5,563,091	5,174,788	4,888,092	
Plan fiduciary net position - ending (b)	<u>\$ 8,431,110</u>	<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>\$ 5,261,400</u>	<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	61.57 %	61.69 %	56.27 %	54.31 %	60.86 %	58.50 %	
Covered payroll	\$ 1,688,863	\$ 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	311.54 %	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)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011
PSPRS Health Insurance Premium Benefit				
Total OPEB Liability				
Service cost	\$ 6,453	\$ 6,095	\$ 6,791	Information not available
Interest on the total OPEB liability	13,924	12,499	13,717	
Changes of benefit terms	-	-	419	
Differences between expected and actual experience in the measurement of the OPEB liability	(19,338)	3,179	(18,591)	
Changes of assumptions or other inputs	1,877	-	(11,785)	
Benefit payments	(7,596)	(4,244)	(4,140)	
Net change in total OPEB liability	(4,680)	17,529	(13,589)	
Total OPEB liability - beginning	185,505	167,976	181,565	
Total OPEB liability - ending (a)	<u>\$ 180,825</u>	<u>\$ 185,505</u>	<u>\$ 167,976</u>	
Plan fiduciary net position				
Contributions - employer	\$ -	\$ -	\$ 30,977	
Net investment income	16,488	20,233	(4,140)	
Benefit payments	(7,596)	(4,244)	(274)	
Administrative expense	(285)	(308)	-	
Other changes	-	1	-	
Net change in plan fiduciary net position	8,607	15,682	26,563	
Plan fiduciary net position - beginning	\$ 307,092	\$ 291,410	\$ 264,847	
Plan fiduciary net position - ending (b)	<u>\$ 315,699</u>	<u>\$ 307,092</u>	<u>\$ 291,410</u>	
City's net OPEB (asset) liability - ending (a) - (b)	<u>\$ (134,874)</u>	<u>\$ (121,587)</u>	<u>\$ (123,434)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	174.59 %	165.54 %	173 %	
Covered payroll	\$ 1,688,863	1,816,663	\$ 1,620,810	
City's net OPEB (asset) liability as a percentage of covered payroll	(7.99)%	(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 2011
	2020	2019	2018	2017	2016	2015	2014	
ASRS - Pension								
Statorily required contribution	\$ 747,790	\$ 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>747,790</u>	<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>	<u>\$ -</u>	
City's covered payroll	\$ 6,811,200	\$ 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	10.98 %	11.27 %	10.92 %	10.80 %	11.01 %	10.63 %	10.95 %	

	Reporting Fiscal Year				2016 through 2011
	2020	2019	2018	2017	
ASRS - Health insurance premium benefit					
Statorily required contribution	\$ 30,414	\$ 29,448	\$ 26,816	\$ 31,844	Information not available
City's contributions in relation to the statorily required contribution	<u>30,414</u>	<u>29,448</u>	<u>26,816</u>	<u>31,844</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 6,811,200	\$ 6,348,867	\$ 6,083,565	\$ 5,674,189	
City's contributions as a percentage of covered payroll	0.45 %	0.46 %	0.44 %	0.56 %	

	Reporting Fiscal Year				2016 through 2011
	2020	2019	2018	2017	
ASRS - Long-term disability					
Statorily required contribution	\$ 11,240	\$ 10,243	\$ 9,751	\$ 7,961	Information not available
City's contributions in relation to the statorily required contribution	<u>\$ 11,240</u>	<u>\$ 10,243</u>	<u>\$ 9,751</u>	<u>\$ 7,961</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 6,811,200	\$ 6,348,867	\$ 6,083,565	\$ 5,674,189	
City's contributions as a percentage of covered payroll	0.17 %	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 2011
	2020	2019	2018	2017	2016	2015	2014	
PSPRS - Police								
Actuarially determined contribution	\$ 511,870	\$ 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>967,916</u>	<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>\$ (456,046)</u>	<u>\$ (357,639)</u>	<u>\$ (51,523)</u>	<u>\$ (73,400)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 1,896,886	\$ 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	51.03 %	58.89 %	36.30 %	31.13 %	21.77 %	15.57 %	17.38 %	

	Reporting Fiscal Year				2016 through 2011
	2020	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>	<u>-</u>	<u>-</u>
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
City's covered payroll	\$ 1,896,886	\$ 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, 2020**

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 2018 actuarial valuation	18 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
FINANCIAL 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, 2020**

	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	\$ -	\$ 389,389	\$ 88,935	\$ 152,224	\$ 2,926,415	\$ 3,556,963
Receivables, net of allowance for uncollectibles						
Taxes	-	592	30,660	-	-	31,252
Accrued interest	235	975	222	381	7,330	9,143
Due from other government units	210,062	-	-	-	-	210,062
Total assets	<u>\$ 210,297</u>	<u>\$ 390,956</u>	<u>\$ 119,817</u>	<u>\$ 152,605</u>	<u>\$ 2,933,745</u>	<u>\$ 3,807,420</u>
Liabilities						
Accounts payable	\$ 13,342	\$ 350	\$ -	\$ -	\$ 149,034	\$ 162,726
Construction contracts payable	-	-	-	-	1,905	1,905
Retainage payable	-	-	-	-	59,308	59,308
Due to other funds	92,547	-	-	-	-	92,547
Unearned revenue	11,247	-	-	-	-	11,247
Total liabilities	<u>117,136</u>	<u>350</u>	<u>-</u>	<u>-</u>	<u>210,247</u>	<u>327,733</u>
Fund Balances (Deficits)						
Restricted	54,937	390,606	119,817	6,556	2,724,945	3,296,861
Committed	8,401	-	-	146,049	-	154,450
Assigned	29,823	-	-	-	-	29,823
Unassigned	-	-	-	-	(1,447)	(1,447)
Total fund balances (deficits)	<u>93,161</u>	<u>390,606</u>	<u>119,817</u>	<u>152,605</u>	<u>2,723,498</u>	<u>3,479,687</u>
Total liabilities and fund balances (deficits)	<u>\$ 210,297</u>	<u>\$ 390,956</u>	<u>\$ 119,817</u>	<u>\$ 152,605</u>	<u>\$ 2,933,745</u>	<u>\$ 3,807,420</u>

CITY OF SEDONA, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Special	Capital Projects Funds				Total Nonmajor Funds
	Revenue	Summit II	Fairfield	Art in Public Places	Development Impact Fees	
	Fund	Community Facilities District	Community Facilities District			
	Grants & Donations					
Revenues						
In lieu taxes	\$ -	\$ 45,618	\$ 122,471	\$ -	\$ -	\$ 168,089
Intergovernmental	244,881	-	-	-	-	244,881
Charges for services	956	-	-	-	-	956
Contributions	25,029	-	-	-	-	25,029
Impact fees	-	-	-	-	478,597	478,597
Investment earnings	2,351	8,615	2,024	3,478	69,819	86,287
Total revenues	<u>273,217</u>	<u>54,233</u>	<u>124,495</u>	<u>3,478</u>	<u>548,416</u>	<u>1,003,839</u>
Expenditures						
Current						
General government	5,067	-	-	-	-	5,067
Public safety	29,744	-	-	-	-	29,744
Culture and recreation	12,714	-	-	-	-	12,714
Housing	215,062	-	-	-	-	215,062
Capital outlay	11,000	14,428	160,000	-	862,063	1,047,491
Total expenditures	<u>273,587</u>	<u>14,428</u>	<u>160,000</u>	<u>-</u>	<u>862,063</u>	<u>1,310,078</u>
Excess (deficiency) of revenues over expenditures	(370)	39,805	(35,505)	3,478	(313,647)	(306,239)
Other Financing Sources						
Transfers in	-	-	-	21,384	27,964	49,348
Transfers out	(18,564)	-	-	-	(27,672)	(46,236)
Total other financing sources	<u>(18,564)</u>	<u>-</u>	<u>-</u>	<u>21,384</u>	<u>292</u>	<u>3,112</u>
Net change in fund balances	(18,934)	39,805	(35,505)	24,862	(313,355)	(303,127)
Fund balances - beginning of year	112,095	350,801	155,322	127,743	3,036,853	3,782,814
Fund balances - end of year	<u>\$ 93,161</u>	<u>\$ 390,606</u>	<u>\$ 119,817</u>	<u>\$ 152,605</u>	<u>\$ 2,723,498</u>	<u>\$ 3,479,687</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, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 350,000	\$ 350,000	\$ 427,761	\$ 77,761
Contributions	50,000	50,000	50,000	-
Investment earnings	231,000	231,000	278,270	47,270
Total revenues	<u>631,000</u>	<u>631,000</u>	<u>756,031</u>	<u>125,031</u>
Expenditures				
Capital outlay	<u>7,354,550</u>	<u>8,087,206</u>	<u>7,377,126</u>	<u>710,080</u>
Total expenditures	<u>7,354,550</u>	<u>8,087,206</u>	<u>7,377,126</u>	<u>710,080</u>
Excess (deficiency) of revenues over expenditures	(6,723,550)	(7,456,206)	(6,621,095)	835,111
Other Financing Sources (Uses)				
Transfers in	2,416,627	2,416,627	2,929,739	513,112
Transfers out	<u>(52,320)</u>	<u>(52,320)</u>	<u>(21,384)</u>	<u>30,936</u>
Total other financing sources (uses)	<u>2,364,307</u>	<u>2,364,307</u>	<u>2,908,355</u>	<u>544,048</u>
Net change in fund balance	(4,359,243)	(5,091,899)	(3,712,740)	1,379,159
Fund balance - beginning of year	<u>12,794,975</u>	<u>12,794,975</u>	<u>13,612,587</u>	<u>817,612</u>
Fund balance - end of year	<u>\$ 8,435,732</u>	<u>\$ 7,703,076</u>	<u>\$ 9,899,847</u>	<u>\$ 2,196,771</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, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 742,815	\$ 742,815	\$ 244,881	\$ (497,934)
Charges for services	1,900	1,900	956	(944)
Contributions	23,950	23,950	25,029	1,079
Investment earnings	1,690	1,690	2,351	661
Total revenues	<u>770,355</u>	<u>770,355</u>	<u>273,217</u>	<u>(497,138)</u>
Expenditures				
Current				
General government	335,215	333,915	5,067	328,848
Public safety	46,000	46,000	29,744	16,256
Culture and recreation	16,200	17,500	12,714	4,786
Housing	-	330,000	215,062	114,938
Capital outlay	415,000	85,000	11,000	74,000
Total expenditures	<u>812,415</u>	<u>812,415</u>	<u>273,587</u>	<u>538,828</u>
Excess (deficiency) of revenues over expenditures	(42,060)	(42,060)	(370)	41,690
Other Financing Sources (Uses)				
Transfers Out	-	-	(18,564)	(18,564)
Net change in fund balance	(42,060)	(42,060)	(18,934)	23,126
Fund balance - beginning of year	118,247	118,247	112,095	(6,152)
Fund balance - end of year	<u>\$ 76,187</u>	<u>\$ 76,187</u>	<u>\$ 93,161</u>	<u>\$ 16,974</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, 2020

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
In lieu taxes	\$ 48,700	\$ 45,618	\$ (3,082)
Investment earnings	4,750	8,615	3,865
Total revenues	<u>53,450</u>	<u>54,233</u>	<u>783</u>
Expenditures			
Capital outlay	20,000	14,428	5,572
Total expenditures	<u>20,000</u>	<u>14,428</u>	<u>5,572</u>
Excess (deficiency) of revenues over expenditures	33,450	39,805	6,355
Fund balance - beginning of year	<u>346,199</u>	<u>350,801</u>	<u>4,602</u>
Fund balance - end of year	<u>\$ 379,649</u>	<u>\$ 390,606</u>	<u>\$ 10,957</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, 2020

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
In lieu taxes	\$ 122,200	\$ 122,471	\$ 271
Investment earnings	700	2,024	1,324
Total revenues	<u>122,900</u>	<u>124,495</u>	<u>1,595</u>
Expenditures			
Capital outlay	260,000	160,000	100,000
Total expenditures	<u>260,000</u>	<u>160,000</u>	<u>100,000</u>
Excess (deficiency) of revenues over expenditures	(137,100)	(35,505)	101,595
Fund balance - beginning of year	<u>153,398</u>	<u>155,322</u>	<u>1,924</u>
Fund balance - end of year	<u>\$ 16,298</u>	<u>\$ 119,817</u>	<u>\$ 103,519</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, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ 1,530	\$ 1,530	\$ 3,478	\$ 1,948
Total revenues	<u>1,530</u>	<u>1,530</u>	<u>3,478</u>	<u>1,948</u>
Expenditures				
Capital outlay	130,000	-	-	-
Total expenditures	<u>130,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(128,470)	1,530	3,478	1,948
Other Financing Sources				
Transfers in	52,320	52,320	21,384	(30,936)
Net change in fund balance	(76,150)	53,850	24,862	(28,988)
Fund balance - beginning of year	132,512	132,512	127,743	(4,769)
Fund balance - end of year	<u>\$ 56,362</u>	<u>\$ 186,362</u>	<u>\$ 152,605</u>	<u>\$ (33,757)</u>

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DEVELOPMENT IMPACT FEES FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Impact fees	\$ 626,350	\$ 626,350	\$ 478,597	\$ (147,753)
Investment earnings	44,820	44,820	69,819	24,999
Total revenues	<u>671,170</u>	<u>671,170</u>	<u>548,416</u>	<u>(122,754)</u>
Expenditures				
Capital outlay	<u>2,212,057</u>	<u>2,303,192</u>	<u>862,063</u>	<u>1,441,129</u>
Total expenditures	<u>2,212,057</u>	<u>2,303,192</u>	<u>862,063</u>	<u>1,441,129</u>
Excess (deficiency) of revenues over expenditures	(1,540,887)	(1,632,022)	(313,647)	1,318,375
Other Financing Sources (Uses)				
Transfers in	31,786	31,786	27,964	(3,822)
Transfers Out	-	-	(27,672)	(27,672)
Total other financing sources (uses)	<u>31,786</u>	<u>31,786</u>	<u>292</u>	<u>(31,494)</u>
Net change in fund balance	(1,509,101)	(1,600,236)	(313,355)	1,286,881
Fund balance - beginning of year	<u>2,977,652</u>	<u>2,977,652</u>	<u>3,036,853</u>	<u>59,201</u>
Fund balance - end of year	<u>\$ 1,468,551</u>	<u>\$ 1,377,416</u>	<u>\$ 2,723,498</u>	<u>\$ 1,346,082</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, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 6,231,083	\$ 6,231,083	\$ 6,042,785	\$ (188,298)
Capacity fees	1,227,000	1,227,000	997,558	(229,442)
Investment earnings	321,330	321,330	435,820	114,490
Other revenues	33,800	33,800	13,788	(20,012)
Total revenues	<u>7,813,213</u>	<u>7,813,213</u>	<u>7,489,951</u>	<u>(323,262)</u>
Expenditures				
Salaries and employee benefits	1,522,960	1,531,460	1,405,807	125,653
Supplies and other	2,968,695	2,788,660	2,068,362	720,298
Capital outlay	4,630,600	4,757,335	4,285,384	471,951
Debt service	4,703,425	4,703,425	4,696,382	7,043
Contingency	100,000	100,000	-	100,000
Addition to equipment replacement reserve	524,000	524,000	520,400	3,600
Addition to major maintenance reserve	109,350	109,350	73,150	36,200
Total expenditures	<u>14,559,030</u>	<u>14,514,230</u>	<u>13,049,485</u>	<u>1,464,745</u>
Excess (deficiency) of revenues over expenditures	(6,745,817)	(6,701,017)	(5,559,534)	1,141,485
Other Financing Sources (Uses)				
Transfers in	3,447,000	3,447,000	3,447,000	-
Add back equipment replacement reserve	524,000	524,000	520,400	(3,600)
Add back major maintenance reserve	109,350	109,350	73,150	(36,200)
Net change in fund balance	(2,665,467)	(2,620,667)	(1,518,984)	1,101,685
Fund balance - beginning of year, as adjusted	<u>17,599,586</u>	<u>17,599,586</u>	<u>18,293,936</u>	<u>694,350</u>
Fund balance - end of year	<u>\$ 14,934,119</u>	<u>\$ 14,978,919</u>	<u>\$ 16,774,952</u>	<u>\$ 1,796,035</u>

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

Net Position, end of year, budgetary basis	\$ 16,774,952
Adjustments to reconcile to net position:	
Adjustments from prior years	74,462,217
Capital contribution - developer-contributed sewer lines	77,430
Depreciation	(3,575,002)
Capital outlay	4,285,384
Principal paid on long-term debt	1,403,942
Premium on long-term debt	86,083
Decrease in deferred charges on refunding	(17,988)
Increase in long-term interest payable	1,915,514
Increase in compensated absences	568
Decrease in net pension/OPEB asset	(717)
Decrease in deferred outflows related to pensions/OPEB	(38,496)
Decrease in net pension/OPEB liability	22,257
Increase in deferred inflows related to pensions/OPEB	47,408
Net Position, end of year	<u>\$ 95,443,552</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, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 1,679,440	\$ 1,679,440	\$ 1,567,343	\$ (112,097)
Investment earnings	2,400	2,400	12,870	10,470
Other revenues	-	-	622	622
Total revenues	<u>1,681,840</u>	<u>1,681,840</u>	<u>1,580,835</u>	<u>(101,005)</u>
Expenditures				
Salaries and employee benefits	603,870	603,870	601,060	2,810
Supplies and other	864,700	893,301	708,073	185,228
Capital outlay	64,450	64,450	54,762	9,688
Addition to equipment replacement reserve	177,950	177,950	177,950	-
Total expenditures	<u>1,710,970</u>	<u>1,739,571</u>	<u>1,541,845</u>	<u>197,726</u>
Excess (deficiency) of revenues over expenditures	(29,130)	(57,731)	38,990	96,721
Other Financing Sources (Uses)				
Transfers in	-	-	27,520	27,520
Add back equipment replacement reserve	177,950	177,950	177,950	-
Total other financing sources (uses)	<u>177,950</u>	<u>177,950</u>	<u>205,470</u>	<u>27,520</u>
Net change in fund balance	148,820	120,219	244,460	124,241
Fund balance - beginning of year	<u>326,331</u>	<u>326,331</u>	<u>452,312</u>	<u>125,981</u>
Fund balance - end of year	<u>\$ 475,151</u>	<u>\$ 446,550</u>	<u>\$ 696,772</u>	<u>\$ 250,222</u>

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

Net Position, end of year, budgetary basis	\$ 696,772
Adjustments to reconcile to net position:	
Adjustments from prior years	(284,060)
Depreciation	(79,130)
Capital outlay	54,762
Increase in compensated absences	(5,903)
Decrease in net pension/OPEB asset	(132)
Decrease in deferred outflows related to pensions	(28,503)
Increase in net pension liability	(94,136)
Decrease in deferred inflows	13,709
Net position of governmental activities	<u>\$ 273,379</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									
	2020	2019	(Restated) 2018	(Restated) 2017	(Restated) 2016	(Restated) 2015	(Restated) 2014	(Restated) 2013	(Restated) 2012	(Restated) 2011
Governmental activities										
Net investment in capital assets	\$ 45,125,594	\$ 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
Restricted	4,722,195	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
Unrestricted	23,816,343	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
Total governmental activities net position	<u>\$ 73,664,132</u>	<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>
Business-type activities										
Net investment in capital assets	\$ 87,704,542	\$ 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
Restricted	1,854	2,571	3,486	-	-	-	-	-	-	-
Unrestricted	7,768,589	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
Total business-type activities net position	<u>\$ 95,474,985</u>	<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>
Primary government										
Net investment in capital assets	\$ 132,830,136	\$ 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
Restricted	4,724,049	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
Unrestricted	31,584,932	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
Total primary government net position	<u>\$ 169,139,117</u>	<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>

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									
	2020	2019	(Restated) 2018	(Restated) 2017	(Restated) 2016	(Restated) 2015	(Restated) 2014	(Restated) 2013	(Restated) 2012	(Restated) 2011
Expenses										
Governmental Activities:										
General government	\$ 3,100,633	\$ 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
Public safety	7,848,655	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
Public works and streets	5,617,752	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
Community and economic development	-	-	-	-	-	2,200,510	932,919	1,834,854	-	-
Community services	-	-	-	-	-	-	426,571	974,564	2,004,255	1,357,077
Culture and recreation	2,497,360	2,521,273	2,501,727	1,928,332	1,810,593	557,038	-	-	-	-
Economic development	2,618,729	2,424,664	2,355,663	2,261,269	1,336,234	-	-	-	-	-
Health and welfare	612,522	492,083	251,997	-	-	-	-	-	-	-
Public transportation	255,418	202,363	188,604	-	-	-	-	-	-	-
Housing	280,621	-	-	-	-	-	-	-	-	-
Interest on long-term debt	236,419	281,913	292,714	296,144	319,545	442,506	563,158	559,672	567,901	583,175
Total governmental activities	<u>23,068,109</u>	<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>
Business-Type Activities:										
Wastewater	<u>8,319,467</u>	<u>8,691,487</u>	<u>8,217,210</u>	<u>7,590,660</u>	<u>7,394,559</u>	<u>8,416,450</u>	<u>8,147,798</u>	<u>8,345,260</u>	<u>7,874,116</u>	<u>7,873,298</u>
Total primary government expenses	<u>\$ 31,387,576</u>	<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>
Program revenues										
Governmental activities:										
Charges for services										
General government	\$ 686,472	\$ 674,910	\$ 824,299	\$ 661,395	\$ 674,762	\$ 318,200	\$ 89,021	\$ 78,355	\$ 289,510	\$ 189,417
Public safety	385,984	617,090	607,666	24,743	31,570	49,218	134,164	154,786	202,465	200,129
Public works	19,068	16,044	16,614	4,690	4,745	3,870	70,943	90,065	27,583	139,856
Community and economic development	-	-	-	-	-	402,483	381,803	22,270	-	-
Community services	-	-	-	-	-	95,716	57,697	68,367	64,714	57,475
Culture and recreation	80,158	138,768	131,359	121,295	104,217	-	-	-	-	-
Public transportation	460	855	-	-	-	-	-	-	-	-
Operating grants and contributions	2,671,868	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
Capital grants and contributions	1,588,597	1,546,883	1,037,264	1,924,413	1,177,321	1,640,791	758,272	779,462	688,239	918,037
Total governmental activities program revenues	<u>5,432,607</u>	<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>
Business-Type Activities:										
Charges for services										
Wastewater	6,043,445	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
Capital grants and contributions	1,074,988	573,380	523,013	1,167,388	-	-	-	-	-	-
Total business-type activities program revenues	<u>7,118,433</u>	<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>
Total primary government program revenues	<u>\$ 12,551,040</u>	<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>

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

	Fiscal Year									
	2020	2019	(Restated) 2018	(Restated) 2017	(Restated) 2016	(Restated) 2015	(Restated) 2014	(Restated) 2013	(Restated) 2012	(Restated) 2011
(Concluded)										
Net (Expense)/Revenue										
Governmental activities	\$ (17,635,502)	\$ (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)
Business-type activities	(1,201,034)	(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)
Total primary government net expense	<u>\$ (18,836,536)</u>	<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>
General Revenues and Transfers										
Governmental activities										
Taxes										
Sales taxes	\$ 24,329,794	\$ 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
Franchise taxes	809,673	807,465	813,573	786,882	789,754	766,728	738,631	720,455	713,577	699,088
In lieu taxes	670,736	655,721	643,087	630,532	622,224	488,937	500,968	692,049	380,270	-
Unrestricted state revenue sharing	1,336,465	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
Unrestricted state sales tax revenue sharing	1,067,529	1,039,635	998,202	950,879	948,696	916,721	873,126	821,056	783,825	830,562
Unrestricted auto lieu tax revenue sharing	664,581	662,935	642,895	606,030	577,681	534,404	508,519	483,343	476,438	543,380
Investment earnings	815,918	1,003,210	99,315	159,363	307,030	210,386	255,995	127,098	215,593	166,085
Proceeds from sale of capital assets	-	-	-	-	11,806	-	-	-	-	-
Other	194,965	87,431	70,639	107,960	78,629	22,863	164,187	64,367	37,116	88,974
Transfers	(3,447,000)	(4,599,709)	(4,351,138)	(4,038,211)	(4,497,550)	88,235	83,626	63,842	-	-
Total governmental activities general revenues and transfers	<u>26,442,661</u>	<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>
Business-type activities										
Sales taxes	-	-	-	-	-	4,046,986	4,478,074	4,638,664	5,002,648	5,413,073
Investment earnings	435,820	620,971	100,891	78,287	179,734	73,193	126,548	111,930	208,284	134,460
Miscellaneous	13,128	18,207	391,650	13,116	-	-	-	-	-	-
Transfers	3,447,000	4,599,709	4,351,138	4,038,211	4,497,550	(88,235)	(83,626)	(63,842)	-	-
Total business-type activities general revenues and transfers	<u>3,895,948</u>	<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>
Total primary government general revenues and transfers	<u>\$ 30,338,609</u>	<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>
Change in Net Position										
Governmental activities	8,807,159	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
Business-type activities	2,694,914	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
Total primary government change in net position	<u>\$ 11,502,073</u>	<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>

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

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Fund										
Nonspendable	\$ 29,826	\$ 11,683	\$ 15,604	\$ 15,409	\$ 86,203	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	943,286	95,416	86,591	81,828	77,855	1,794,750	-	-	-	-
Committed	1,403,370	1,619,954	701,913	421,696	389,240	-	1,626,131	-	-	-
Assigned	1,232,035	2,195,394	2,032,174	2,018,050	1,585,000	-	-	-	-	-
Unassigned	11,983,669	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	<u>\$15,592,186</u>	<u>\$13,376,519</u>	<u>\$ 9,751,377</u>	<u>\$11,028,522</u>	<u>\$ 9,750,233</u>	<u>\$13,244,209</u>	<u>\$17,514,173</u>	<u>\$14,295,777</u>	<u>\$12,783,938</u>	<u>\$ 12,403,438</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ 1,575	\$ -	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	3,628,879	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	7,095,543	4,180,816	1,147,912	11,268,308	9,692,916	5,367,842	66,607	-	4,464,502	4,468,706
Assigned	10,854,394	14,432,612	15,334,100	750,137	525,863	26,199	-	-	-	-
Unassigned	(1,447)	(39,141)	(31,246)	(54,281)	(36,684)	(19,373)	-	-	-	-
Total All Other Governmental Funds	<u>\$21,577,369</u>	<u>\$22,241,932</u>	<u>\$19,705,168</u>	<u>\$16,436,801</u>	<u>\$16,518,333</u>	<u>\$13,066,848</u>	<u>\$ 6,836,886</u>	<u>\$10,561,911</u>	<u>\$13,480,089</u>	<u>\$ 13,517,110</u>

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

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

	Fiscal Year									
	2020	2019	2018	2017	2016	(Restated) 2015	2014	2013	2012	2011
Revenues										
Taxes	\$ 25,760,174	\$ 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
Licenses and permits	311,569	380,721	455,498	475,216	496,517	468,722	466,937	334,756	276,000	179,555
Intergovernmental	6,107,232	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
Contributions	75,029	724,645	290,500	86,376	230,296	23,711	-	51,945	39,342	6,452
Charges for services	672,362	933,927	770,108	202,854	162,130	190,565	99,231	89,118	125,142	98,339
Fines and forfeitures	196,524	227,761	249,893	140,840	147,984	172,694	134,164	154,786	202,465	200,129
Impact fees	478,597	292,546	207,076	618,741	231,772	216,039	450,798	278,480	297,107	154,162
Investment earnings	803,048	995,455	99,675	159,363	307,030	238,592	303,098	139,854	284,730	221,786
Other	167,679	102,221	75,089	107,960	78,629	38,707	276,872	521,353	120,851	292,300
Total revenues	<u>34,572,214</u>	<u>36,181,644</u>	<u>31,374,050</u>	<u>28,146,258</u>	<u>25,572,513</u>	<u>20,011,678</u>	<u>18,142,272</u>	<u>16,152,245</u>	<u>14,071,683</u>	<u>14,165,299</u>
Expenditures										
Current										
General government	2,591,128	2,860,186	2,703,709	5,760,492	6,179,381	5,471,132	5,881,473	5,639,357	5,132,317	5,021,720
Public safety	7,384,219	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
Public works and streets	3,570,268	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
Culture and recreation	2,277,298	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
Economic development	2,611,622	2,426,505	2,368,755	2,261,269	1,336,234	550,762	-	-	-	-
Health and welfare	602,680	493,249	251,997	-	-	-	-	-	-	-
Public transportation	192,544	202,363	188,604	-	-	-	-	-	-	-
Housing	280,621	-	-	-	-	-	-	-	-	-
Capital outlay	9,111,004	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	1,153,970	1,419,977	1,413,004	602,019	515,000	345,000	346,889	354,309	378,130	-
Interest and fiscal charges	187,221	208,035	234,775	222,266	245,667	418,606	561,020	538,964	547,193	562,465
Total expenditures	<u>29,962,575</u>	<u>25,802,550</u>	<u>25,318,381</u>	<u>23,349,599</u>	<u>21,307,360</u>	<u>18,575,874</u>	<u>18,768,226</u>	<u>18,878,570</u>	<u>14,074,531</u>	<u>13,793,963</u>
Excess (deficiency) of revenue over expenditures	<u>4,609,639</u>	<u>10,377,665</u>	<u>6,055,669</u>	<u>4,796,659</u>	<u>4,265,153</u>	<u>1,435,804</u>	<u>(625,954)</u>	<u>(2,726,325)</u>	<u>(2,848)</u>	<u>371,336</u>
Other Financing Sources (Uses)										
Sale of capital assets	42,873	9,024	18,182	-	11,806	22,863	-	-	-	-
Issuance of long-term debt	373,112	373,498	268,509	438,309	8,030,000	-	1,879,700	-	-	-
Payment to escrow agent	-	-	-	-	(7,934,739)	-	(1,845,000)	-	-	-
Transfers out	(6,662,931)	(6,746,385)	(10,023,287)	(7,142,658)	(11,928,810)	(7,955,237)	(1,136,498)	857,675	(838,373)	(316,125)
Transfers in	3,188,411	2,146,676	5,672,149	3,104,447	7,431,260	8,043,472	1,220,124	(793,833)	838,373	316,125
Total other financing sources (uses)	<u>(3,058,535)</u>	<u>(4,217,187)</u>	<u>(4,064,447)</u>	<u>(3,599,902)</u>	<u>(4,390,483)</u>	<u>111,098</u>	<u>118,326</u>	<u>63,842</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 1,551,104</u>	<u>\$ 6,161,906</u>	<u>\$ 1,991,222</u>	<u>\$ 1,196,757</u>	<u>\$ (125,330)</u>	<u>\$ 1,546,902</u>	<u>\$ (507,628)</u>	<u>\$ (2,662,483)</u>	<u>\$ (2,848)</u>	<u>\$ 371,336</u>
Debt services as a percentage of non-capital expenditures	6.35 %	7.79 %	8.14 %	4.39 %	4.73 %	5.08 %	6.29 %	6.21 %	7.24 %	4.60 %

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 2020			Fiscal Year 2011		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Hotels & Other Lodging	\$ 8,352,702	1	34.4 %	\$ 4,177,664	1	32.4 %
Retail Trade	7,208,267	2	29.7	3,207,107	2	24.9
Restaurants & Bars	3,711,859	3	15.3	1,771,269	3	13.7
Construction	1,828,859	4	7.5	1,196,486	4	9.3
Rental/Leasing/Licensing	1,553,226	5	6.4	800,883	6	6.2
All Other	893,336	6	3.7	1,055,093	5	8.2
Transportation/Communication/Utilities	731,516	7	3.0	691,194	7	5.4
	<u>\$ 24,279,765</u>		<u>100.0 %</u>	<u>\$ 12,899,696</u>		<u>100.1 %</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 transaction 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
2020	\$ 20,119,581	\$ 4,160,184	\$ 809,673	\$ 670,736	\$ 25,760,174
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

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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Sales Category										
Construction	\$ 1,828,859	\$ 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
Transportation, Communication and Utilities	731,516	718,813	584,656	571,822	596,888	551,710	621,539	566,849	610,278	691,194
Retail Trade	7,208,267	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
Restaurants and Bars	3,711,859	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
Rental/Leasing/Licensing	1,553,226	1,621,589	1,396,438	1,302,833	1,058,690	630,449	928,205	747,856	770,388	800,883
Hotels and Other Lodging	8,352,702	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
All Other Outlets	893,336	1,280,028	1,044,676	911,414	887,700	1,053,920	612,380	513,538	649,880	1,055,093
Total	<u>\$ 24,279,765</u>	<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>
Direct Sales Tax Rate	3.50 %	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 %
Transient Lodging Tax	3.50 %	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 %

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>
2020	3.50 %	0.75 %	1.300 %	5.60 %
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 %

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	Capital Leases	Capital Appreciation Bond Interest			
2020	\$ 6,665,000	\$ 723,721	\$ 13,816,499	\$ 28,021	\$ 10,273,769	\$ 31,507,010	6.91 %	\$ 3,054
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

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, 2020
(UNAUDITED)**

Government Unit	Outstanding Debt (1)	Estimated Percentage Applicable (2)	Estimated Share of Overlapping Debt
Coconino County	\$ -	6.74 %	\$ -
Yavapai County	72,141,000	7.53 %	5,432,217
Coconino County Community College District	-	6.74 %	-
Yavapai County Community College District	2,670,000	7.53 %	201,051
Sedona-Oak Creek Unified S.D. No. 9	37,774,854	67.62 %	25,543,356
Sedona Fire District	802,460	67.44 %	541,179
Total Overlapping Debt			<u>31,717,803</u>
City of Sedona	7,388,721	100.00 %	<u>7,388,721</u>
Total Direct and Overlapping Debt			<u><u>\$ 39,106,524</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 2020 calendar year.

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

Excise Tax Revenue Bonds						
Fiscal Year	Excise Tax Revenues	Principal	Interest	Total	Coverage	
2020	\$ 25,742,670	\$ 2,285,000	\$ 3,434,245	\$ 5,719,245	4.50	
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	

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

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Coconino County	\$ 152,107,576	\$ 141,743,200	\$ 138,333,198	\$ 134,528,591	\$ 125,045,612	\$ 121,388,325	\$ 110,290,043	N/A	N/A	N/A
Yavapai County	286,913,435	253,159,989	238,835,422	227,245,423	191,649,855	183,416,070	177,099,032	N/A	N/A	N/A
Total Assessed Valuation	<u>\$ 439,021,011</u>	<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>
20% Limitation										
Debt Limit Equal to 20% of Assessed Valuation	\$ 87,804,202	\$ 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
Total Net Debt Applicable to 20% Limit	-	-	-	-	-	-	-	-	-	-
Legal 20% Debt Margin	<u>\$ 87,804,202</u>	<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>
6% Limitations										
Debt Limit Equal to 6% of Assessed Valuation	\$ 26,341,261	\$ 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
Total Net Debt Applicable to 6% Limit	-	-	-	-	-	-	-	-	-	-
Legal 6% Debt Margin	<u>\$ 26,341,261</u>	<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>

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

**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
2020	10,315	\$ 455,788,905	\$ 44,187	59.4	916	9.20%
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%

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, 2020 AND NINE YEARS PRIOR
(UNAUDITED)**

Employer	2020			2011		
	Employees (1)	Rank	Percentage of Total Employment	Employees (1)	Rank	Percentage of Total Employment
Enchantment Resorts (location outside of City)	556	1	9.81 %	383	2	6.04 %
L'Auberge de Sedona Resort	550	2	9.71 %	180	5	2.84 %
Orchards Inn	220	3	3.88 %	180	5	2.84 %
City of Sedona	149	4	2.63 %	100	9	1.58 %
Arizona Elder Care	120	5	2.12 %			
Sedona/Oak Creek School District	115	6	2.03 %	180	5	2.84 %
Verde Valley Medical Center/Sedona Emergency Department	110	7	1.94 %			
Picazzo's Healthy Italian Kitchen	80	8	1.41 %			-
Cowboy Club	66	9	1.16 %			-
Whole Foods Market	66	10	1.16 %			
Sunterra Resorts				400	1	6.31 %
Diamond Resorts				275	3	4.34 %
Hilton Resort & Spa (location outside of City)				193	4	3.05 %
Pink Jeep Tours				125	8	1.97 %
Radisson Resort				99	10	1.56 %
Total	2,032		35.85 %	2,115		33.37 %

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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General government										
Mayor and Council	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Management services	19.2	18.8	18.8	18.2	17.6	18.4	18.4	17.6	16.6	15.7
Finance	8.7	8.2	8.2	8.2	8.0	8.0	8.0	6.0	6.0	5.0
Community Development	6.7	7.3	6.5	6.6	9.6	8.0	8.0	8.2	9.0	8.7
Facilities maintenance	3.8	1.8	1.6	1.6	2.4	1.0	1.0	1.0	1.0	1.0
Court	4.7	4.7	4.3	4.3	3.7	3.7	4.3	4.3	4.3	4.2
Public safety										
Building safety	3.7	3.2	4.7	4.8	2.1	2.0	2.0	2.0	2.0	2.0
Code enforcement	2.2	2.5	2.4	2.3	2.0	2.0	2.0	2.0	1.0	1.0
Police - sworn	27.0	27.0	27.0	27.0	27.0	27.0	27.0	25.0	27.0	27.0
Police - civilian	16.6	15.6	15.6	15.6	14.4	13.5	12.0	10.0	9.0	11.0
Public works										
Engineering and project management	11.7	11.7	11.1	12.3	7.0	5.0	5.0	5.0	3.0	3.6
Other	9.3	9.5	8.3	4.5	4.3	15.2	15.2	14.4	14.2	10.1
Culture and recreation										
Parks and recreation	13.4	12.6	12.5	11.0	15.2	6.0	5.9	6.1	6.4	19.8
Arts and culture	0.8	0.8	0.8	0.8	0.8	0.8	0.8	-	-	1.1
Historic preservation	0.3	0.4	0.5	0.4	-	-	-	-	-	-
Economic development	1.0	1.0	1.0	1.0	1.0	-	-	-	-	-
Health and welfare	1.0	1.0	-	-	-	-	-	-	-	-
Public transportation	1.0	-	-	-	-	-	-	-	-	-
Wastewater	13.0	12.0	12.0	10.6	10.6	9.8	9.8	10.7	10.9	11.3
Total	151.1	145.1	142.3	136.2	132.7	127.4	126.4	119.3	117.4	128.5

Source: City of Sedona, Arizona Financial Services Department

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

Function	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General government										
Building permits issued	542	512	557	646	617	518	500	476	472	463
Building inspections conducted	3,515	3,954	2,899	1,889	1,733	1,953	1,907	1,781	1,453	1,277
Police										
Physical arrests	340	301	391	464	383	432	325	364	497	537
Parking violations	2,350	2,568	2,819	728	737	317	191	587	195	149
Traffic violations	N/A	N/A	N/A	2,011	3,553	3,827	1,145	2,340	2,268	2,617
Traffic stops	3,659	4,269	5,173	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other public works										
Street resurfacing (miles)	5.5	4.3	5.9	6.5	2.4	2.6	2.2	3.8	3.0	2.1
Right-of-way permits issued	126	239	198	184	194	210	190	204	161	157
Wastewater										
Average daily sewage treatment (millions of gallons)	1.1	1.1	1.2	1.1	1.1	1.1	1.2	1.1	1.1	1.2

Source: City of Sedona, Arizona

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

Function	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
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	17	19	19	16	15	15	17	13	13
Other public works										
Streets (miles)	92.6	92.6	92.6	92.6	92.6	92.6	92.6	92.6	92.6	92.6
Highways (miles)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Streetlights	149	149	149	149	147	147	136	136	8	8
Parks and recreation										
Acreage	123	123	123	123	123	123	123	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	110	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.

CITY OF SEDONA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2020



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**CITY OF SEDONA, ARIZONA
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YEAR ENDED JUNE 30, 2020**

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INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the accompanying Annual Expenditure Limitation Report of the City of Sedona, Arizona (City) for the year ended June 30, 2020. The City's management is responsible for presenting this report in accordance with the Uniform Expenditure Reporting System as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

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

In our opinion, the Annual Expenditure Limitation Report referred to above is presented in accordance with the Uniform Expenditure Reporting System as described in Note 1 in all material respects.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
December 29, 2020

**CITY OF SEDONA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
YEAR ENDED JUNE 30, 2020**

1. Economic Estimates Commission expenditure limitation	\$ -	
2. Voter approved alternative expenditure limitation	51,416,630	
3. Enter applicable amount from Line 1 or Line 2	<u>51,416,630</u>	\$ 51,416,630
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)	41,561,210	
5. Board-authorized expenditures necessitated by a disaster the Governor declared	-	
6. Board-authorized expenditures necessitated by a disaster the Governor did not declare	-	
7. Prior-year voter approved expenditures to exceed the expenditure limitation for the reporting fiscal year	-	
8. Subtotal	<u>41,561,210</u>	
9. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster the Governor did not declare and the voters did not approve	-	
10. Total adjusted amount subject to the expenditure limitation	<u>41,561,210</u>	41,561,210
11. Amount under (in excess of) the expenditure limitation		<u>\$ 9,855,420</u>

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

Signature: 

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

Telephone Number: (928) 203-5193

Date: December 29, 2020

**CITY OF SEDONA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
YEAR ENDED JUNE 30, 2020**

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
A. Amounts reported on the Reconciliation Line D	\$ 29,562,434	\$ 10,410,854	\$ 1,587,922	\$ 41,561,210
B. Less exclusions claimed:				
1 Debt Proceeds	-	-	-	-
2 Debt service requirements	-	-	-	-
3 Dividends, interest and gains on sale or redemption of investment securities	-	-	-	-
4 Trustee or custodian	-	-	-	-
5 Grants and aid from the federal government	-	-	-	-
6 Grants, aid, contributions or gifts from private agency, organization or individual, except amounts received in lieu of taxes	-	-	-	-
7 Amounts received from the State of Arizona	-	-	-	-
8 Quasi-external interfund transactions	-	-	-	-
9 Amounts accumulated for purchase of land, purchase or construction of buildings or improvements	-	-	-	-
10 Highway user revenues in excess of those received in fiscal year 1979- 80	-	-	-	-
11 Contracts with other political subdivisions	-	-	-	-
12 Refunds, reimbursements and other recoveries	-	-	-	-
13 Voter approved exclusions not identified above	-	-	-	-
14 Prior years carryforward	-	-	-	-
15 Qualifying capital improvement expenditure repaid in accordance with A.R.S. 41-1279.07	-	-	-	-
16 Total exclusions claimed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
C. Amounts subject to the expenditure limitation	<u>\$ 29,562,434</u>	<u>\$ 10,410,854</u>	<u>\$ 1,587,922</u>	<u>\$ 41,561,210</u>

See accompanying Notes to Annual Expenditure Limitation Report.

**CITY OF SEDONA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
YEAR ENDED JUNE 30, 2020**

<u>Description</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements.	\$ 29,962,575	8,326,982	\$ 1,503,228	\$ 39,792,785
B. Subtract:				
1 Items not requiring use of working capital				
Depreciation	-	3,575,002	79,130	3,654,132
Claims incurred but not reported (IBNR)	-	-	-	-
Pension expense	-	137,896	78,969	216,865
2 Expenditures of separate legal entities established under ARS	-	-	-	-
3 Required fees paid to the Arizona Department of Revenue	27,029	-	-	27,029
4 Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the agreements' inception	373,112	-	-	373,112
5 Involuntary court judgments	-	-	-	-
6 Total subtractions	<u>400,141</u>	<u>3,712,898</u>	<u>158,099</u>	<u>4,271,138</u>
C. Additions:				
1 Principal payments on long-term debt	-	1,403,942	-	1,403,942
2 Capital asset acquisitions	-	4,285,384	54,762	4,340,146
3 Amounts paid in the current year but reported as expenses in previous years:	-	-	-	-
OPEB	-	-	-	-
Claims previously recognized as IBNR	-	-	-	-
Landfill closure and postclosure care costs	-	-	-	-
4 Pension contributions paid in the current year	-	107,444	188,031	295,475
5 Total additions	<u>-</u>	<u>5,796,770</u>	<u>242,793</u>	<u>6,039,563</u>
D. Amounts reported on Part II Line A	<u>\$ 29,562,434</u>	<u>\$ 10,410,854</u>	<u>\$ 1,587,922</u>	<u>\$ 41,561,210</u>

See accompanying Notes to Annual Expenditure Limitation Report.

**CITY OF SEDONA, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the Uniform Expenditure Reporting System (UERS), as required by Arizona Revised Statutes §41-1279.07, and in accordance with the voter-approved alternative expenditure limitation adopted August 2018, as authorized by Arizona Constitution, Article IX, §20(9).

NOTE 2 REQUIRED FEES PAID TO THE ARIZONA DEPARTMENT OF REVENUE

As part of the State of Arizona’s transaction privilege tax (TPT) simplification initiative, all TPT tax returns are filed with and processed by the State, with the State charging the City for the cost of providing this service. Under Arizona law, this expenditure, reported within the General Fund general government expenditures, is subtracted from total expenditures reported under the UERS.

NOTE 3 PENSION RELATED ADJUSTMENTS

The \$216,865 subtraction for pension and other post employment benefit (OPEB) represents enterprise/internal service funds pension related operating expenses recognized in the current year, that did not result in an outlay of cash. The \$295,475 addition for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions made to the Arizona State Retirement System from the enterprise/internal service funds, that were not included in enterprise/internal service funds operating expenses. The schedule below reconciles the net effect the subtraction and addition have on the expenditures subject to the limitation to the amounts reported on the statement of cash flows’ net effect on cash.

	Enterprise funds	Internal service funds
<u>Statement of Cash Flows</u>		
Change in net pension and OPEB asset	\$ 717	\$ 132
Change in deferred inflows related to pensions and OPEB	(47,408)	(13,709)
Change in deferred outflows related to pensions and OPEB	38,496	28,503
Change in net pension and OPEB liability	(22,257)	94,136
Total	\$ (30,452)	\$ 109,062
<u>AELR-Reconciliation</u>		
Pension/OPEB contributions – addition	\$ 107,444	\$ 188,031
Pension/OPEB expense(income) – subtraction	137,896	78,969
Total	\$ (30,452)	\$ 109,062



City Council
City of Sedona, Arizona
Sedona, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sedona, Arizona (City) as of and for the year ended June 30, 2020, and have issued our report thereon dated December 29, 2020. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

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

No new accounting policies were adopted and the application of existing policies was not changed during 2020.

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

Accounting estimates

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

- Management's estimate of the useful lives and remaining useful lives of capital assets was based on prior experience and the condition of the assets. We evaluated the key factors and assumptions used to develop the estimated useful lives and remaining useful lives in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the allowance for doubtful accounts related to the City's court, sales tax, utility and miscellaneous receivables is based on historical revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the compensated absences is based on vested leave time accrued through June 30, 2020 and an estimate of leave time that will vest. We evaluated the key factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the unfunded pension/OPEB asset or liability related to the Arizona State Retirement System and Public Safety Personnel Retirement System Plan benefits are based on actuarial reports prepared by other professionals. We reviewed the key assumptions used to estimate the asset or liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

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

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

Difficulties encountered in performing the audit

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

Uncorrected misstatements

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

Corrected misstatements

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

Disagreements with management

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

Management representations

We have requested certain representations from management that are included in management representation letter dated December 29, 2020.

Management consultations with other independent accountants

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

Significant issues discussed with management prior to engagement

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

Other information in documents containing audited financial statements

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

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated December 29, 2020.

With respect to the combining statements and schedules (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated December 29, 2020.

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

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

* * *

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



CliftonLarsonAllen LLP

Phoenix, Arizona
December 29, 2020

**CITY OF SEDONA, ARIZONA
SINGLE AUDIT ACT REPORTS
YEAR ENDED JUNE 30, 2020**



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**WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and City Council
City of Sedona, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Sedona, Arizona (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 29, 2020.

Internal Control Over Financial Reporting

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

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

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

Honorable Mayor and City Council
City of Sedona, Arizona

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Phoenix, Arizona
December 29, 2020



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER
COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AS REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and City Council
City of Sedona, Arizona

Report on Compliance for Each Major Federal Program

We have audited City of Sedona, Arizona's (City) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Honorable Mayor and City Council
City of Sedona, Arizona

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Sedona, Arizona as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements. We issued our report thereon dated December 29, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Phoenix, Arizona
December 29, 2020

**CITY OF SEDONA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? _____ yes X no

Identification of major programs:

CFDA Numbers

21.019

Name of Federal Program or Cluster

Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

**CITY OF SEDONA, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

**CITY OF SEDONA, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Grantor Agency	Federal CFDA Number	Project Number	Federal Expenditures	Through to Subrecipients
<u>U.S. Department of Housing and Urban Development</u>				
Passed through State of Arizona Department of Housing:				
Community Development Block Grants/State's Program	14.228	102-20	\$ 215,062	\$ -
Total U.S. Department of Housing and Urban Development			<u>215,062</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
Passed through Arizona Department of Transportation and City of Cottonwood:				
Formula Grants for Rural Areas and Tribal Transit Program	20.509	GRT-18-0007093-T	33,139	-
Passed through Arizona Governor's Office of Highway Safety:				
State & Community Highway Safety	20.600	2020-AL-031	3,670	-
State & Community Highway Safety	20.600	2020-PTS-057	21,083	-
Total State & Community Highway Safety - CFDA 20.600			<u>24,753</u>	<u>-</u>
Total U.S. Department of Transportation			<u>57,892</u>	<u>-</u>
<u>U.S. Department of Treasury</u>				
Passed through Arizona Office of the Governor:				
Coronavirus Relief Fund - CARES	21.019	ERMT-20-080	1,186,985	-
Passed through Arizona Department of Economic Security:				
Coronavirus Relief Fund - CARES	21.019	2067300	2,927	-
Total Coronavirus Relief Fund - CFDA 21.019			<u>1,189,912</u>	<u>-</u>
Total U.S. Department of Treasury			<u>1,189,912</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,462,866</u>	<u>\$ -</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

CITY OF SEDONA, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of Sedona, Arizona under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Sedona, Arizona.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. City of Sedona, Arizona has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



INDEPENDENT ACCOUNTANTS' REPORT

The Honorable Mayor and City Council
City of Sedona, Arizona

We have examined the City of Sedona, Arizona's (City) compliance as to whether expenditures made during the fiscal year ended June 30, 2020, from Highway User Revenue Fund monies received by the City pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the City were used solely for the authorized transportation purposes prescribed in Article IX, §14, of the Arizona Constitution. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

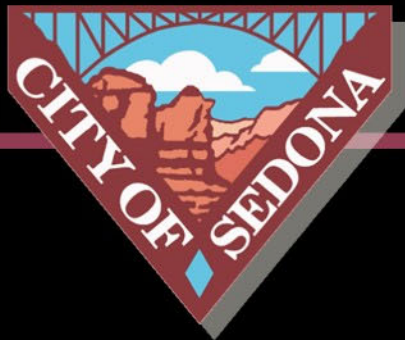
Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Sedona, Arizona complied, in all material respects, with the aforementioned requirements for the fiscal year ended June 30, 2020.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
December 29, 2020



2020

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

for fiscal year ending June 30, 2020



Agenda

- FY 2020 Financial Results
- Expenditure Limitation Summary
- Schedule of Expenditures of Federal Awards
- Audit Results

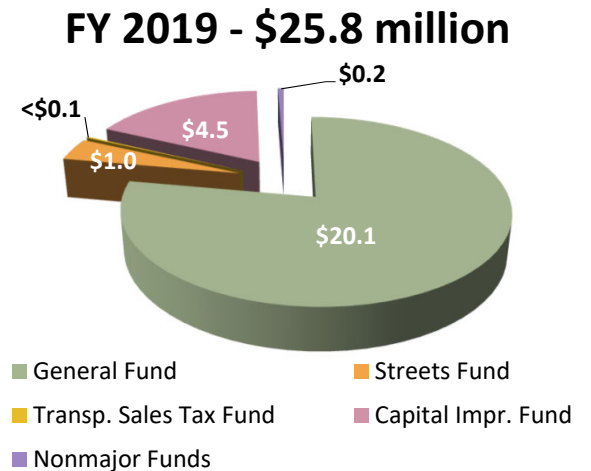
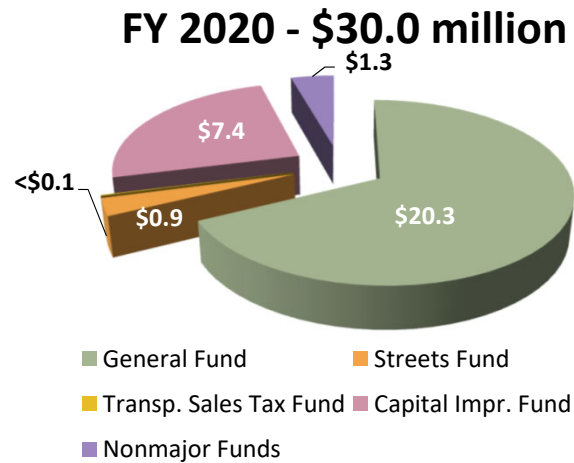


CAFR 2020



Governmental Expenditures by Fund

CAFR pg. 35



Governmental Funds expenditures increased \$4.2 million or 16.1%.

- Health & Welfare expenditures increased \$0.1 million or 22% primarily due to additional support provided to Sedona Recycles.
- Housing expenditures increased \$0.3 million due to the initiation of an affordable housing study and grant funded expenditures related to transitional housing for the homeless.
- Debt Service expenditures decreased \$0.3 million or 18% primarily due to a reduction in scheduled bond payments.
- Capital Outlay expenditures increased \$4.0 million or 77% primarily due to an increase in capital improvement project expenditures. The most significant projects were the Uptown roadway improvements (\$4.3M) and the Thunder Mountain drainage improvements (\$1.5M).

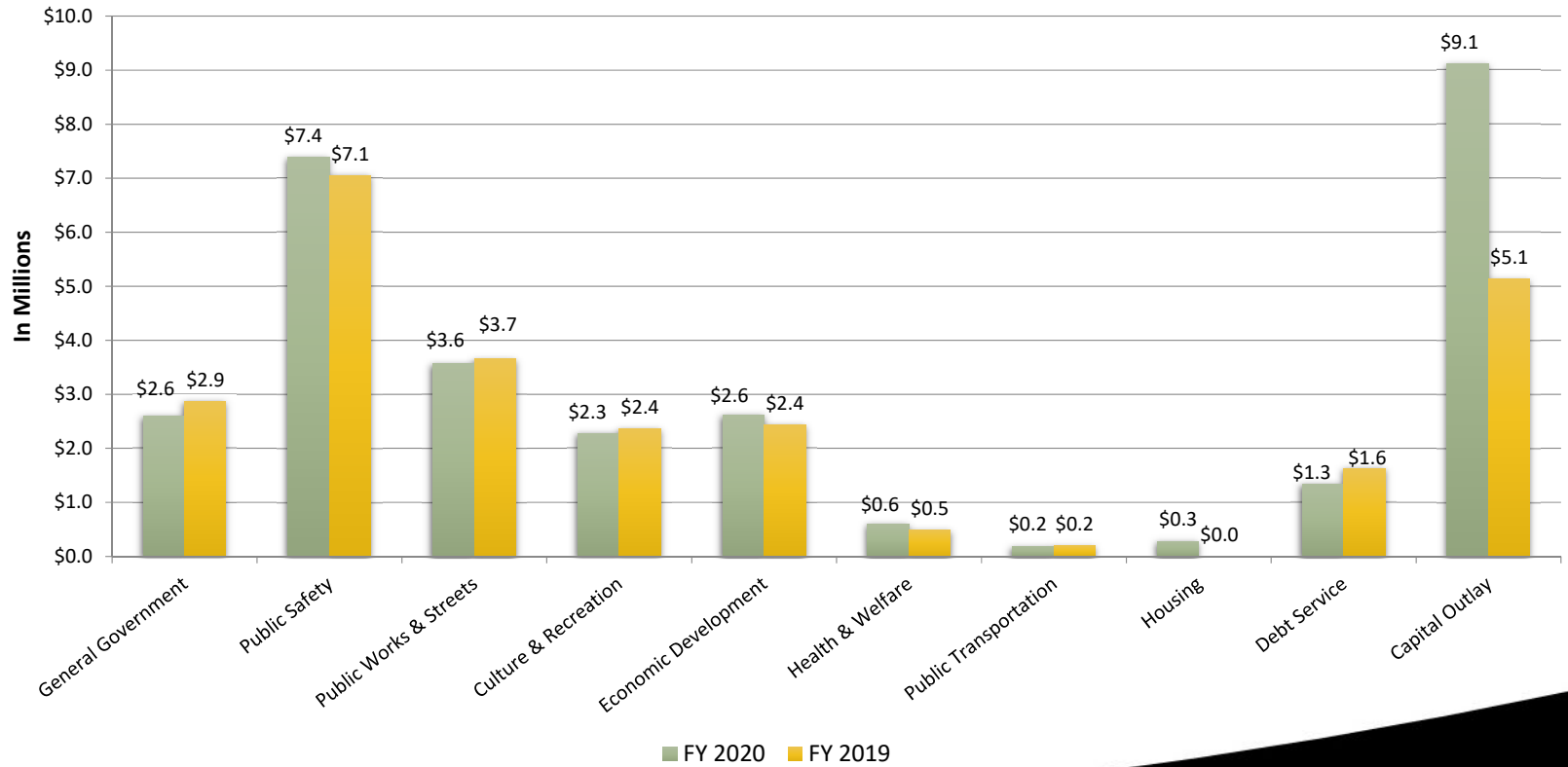


CAFR 2020



Governmental Expenditures by Function

CAFR pg. 35

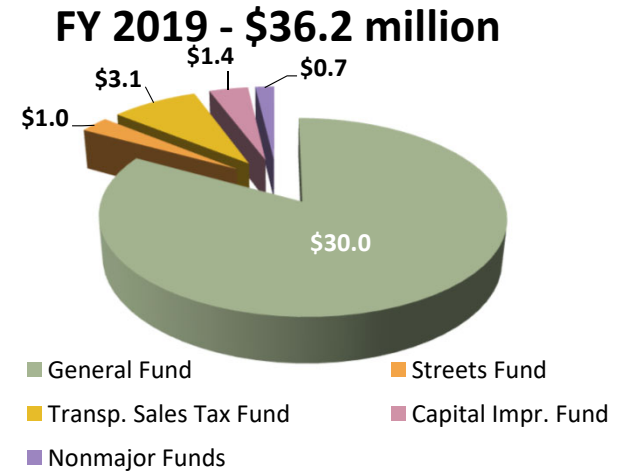
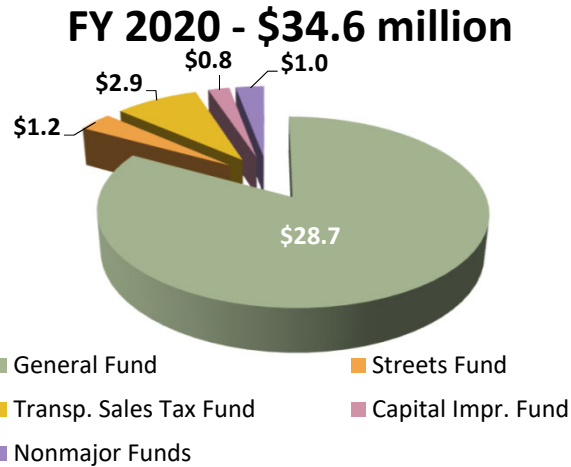


CAFR 2020



Governmental Revenues by Fund

CAFR pg. 35



Governmental Funds revenues decreased \$1.6 million or 4.5%.

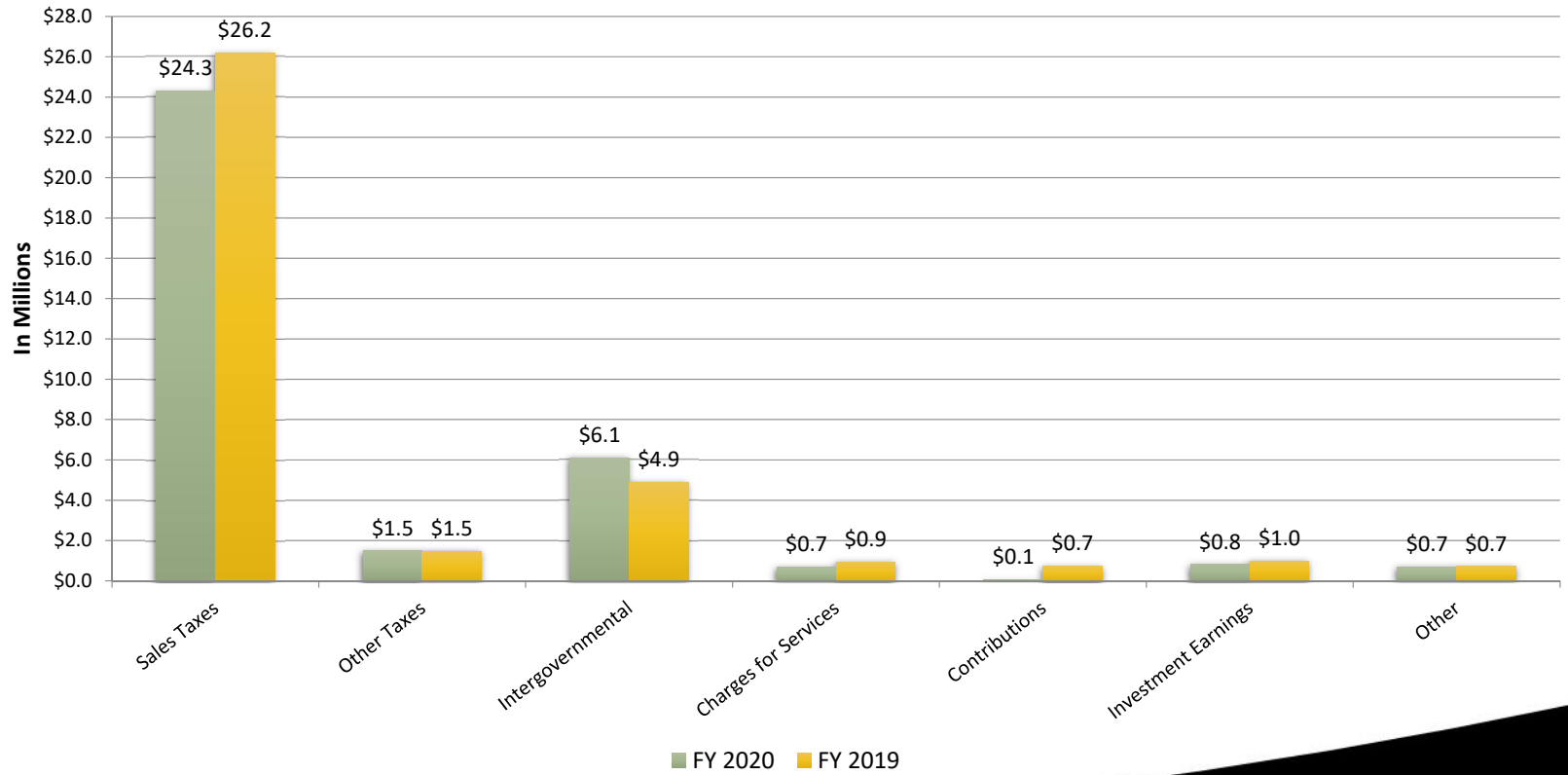
- Sales tax revenues decreased \$1.9 million or 7% due to the impacts of the COVID-19 closures.
- Intergovernmental revenues increased \$1.2 million or 25% due to one-time AZ CARES Act funding.
- Charges for Services revenues decreased \$0.3 million or 28% primarily due to the suspension of paid parking fees during the Uptown roadway improvements construction.
- Contributions revenues decreased \$0.6 million or 90% due to a one-time in-lieu contribution collected for affordable housing in the prior year.
- Impact Fees revenues increased \$0.2 million or 64% due to significant one-time fees for large development projects.
- Investment earnings decreased \$0.2 million or 19% primarily due to smaller increases in fair market values compared to the prior year.





Governmental Revenues by Source

CAFR pg. 35



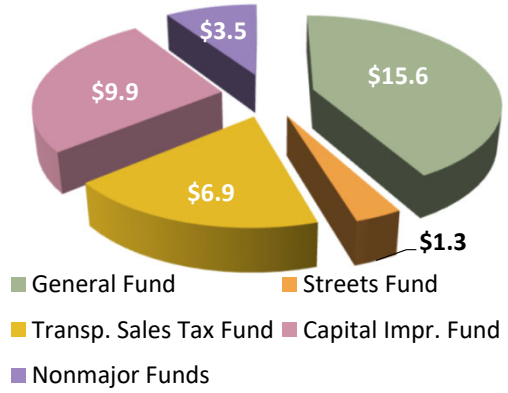
CAFR 2020



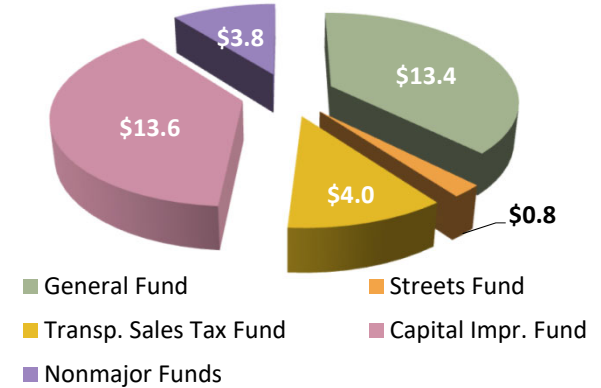
Governmental Fund Balances

CAFR pg. 33 & 35

FY 2020 - \$37.2 million



FY 2019 - \$35.6 million



Governmental fund balances increased \$1.6 million or 4%.

- The General Fund balance increased \$2.2 million or 17% largely due to increases in intergovernmental revenues and a reduction in subsidies to the Wastewater Fund.
- The Streets Fund balance increased \$0.5 million or 57% due to the timing of streets projects. Actual miles maintained each year varies based on the projects of highest priority need.
- The Transportation Sales Tax Fund balance increased \$2.9 million or 72% due to prioritization of spending balances in the Capital Improvements Fund first.
- The Capital Improvements Fund balance decreased \$3.7 million or 27% mainly due to the utilization of balances accumulated for planned capital projects.



CAFR 2020



General Fund Transfers to Other Funds

CAFR pg. 35 & 57

	Subsidies
Ongoing	
Streets Fund subsidy	\$ 190,760
Wastewater Fund subsidy	3,447,000
Affordable Housing support – Intrafund Transfer	100,000
Capital Improvements Fund support	1,500,000
Paid parking program costs in IT Fund	27,520
One-Time	
Affordable Housing support – reallocated FY19 bed tax true-up – Intrafund Transfer	457,131
Affordable Housing support – portion of FY18 surplus to achieve \$1M one-time transfer – Intrafund Transfer	542,869
Capital Improvements Fund support – balance of FY18 surplus	384,319
Cover deficit in General Government DIF Fund	27,964
Paid parking revenues dedicated to improvements in Uptown	1,017,748
Less Intrafund Transfers	(1,100,000)
Totals	\$6,595,311



CAFR 2020



General Fund Budget Summary

CAFR pg. 37

Sales tax revenues under budget by \$1.5M	
•COVID-19 closures	
Contributions revenues under budget by \$0.6M	
•One-time budgeted in-lieu contributions for affordable housing were collected just before the end of the previous fiscal year	
Unspent contingencies \$1.7M	
City Manager expenditures under budget by \$0.3M	
•Reduction of anticipated tourism management costs •Deferral of costs related to communications and sustainability programs	
Police expenditures under budget by \$0.3M	
•Vacancy savings	
Municipal Court expenditures under budget by \$0.2M	
•Delays in court relocation project	

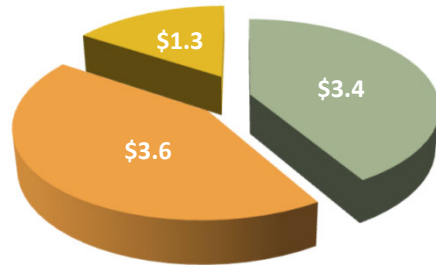




Wastewater Fund Expenses by Type

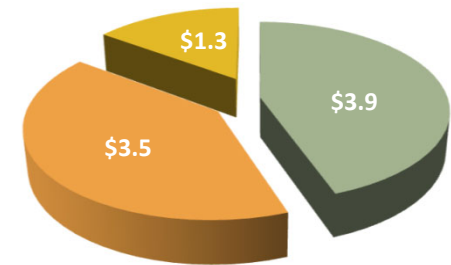
CAFR pg. 41

FY 2020 - \$8.3 million



■ Cost of Services ■ Depreciation ■ Interest

FY 2019 - \$8.7 million



■ Cost of Services ■ Depreciation ■ Interest

Wastewater Fund expenses decreased \$0.4 million or 4.5%.

- Cost of Services expenses increased \$0.4 million or 11% largely due to reduction in operational maintenance cost needs.

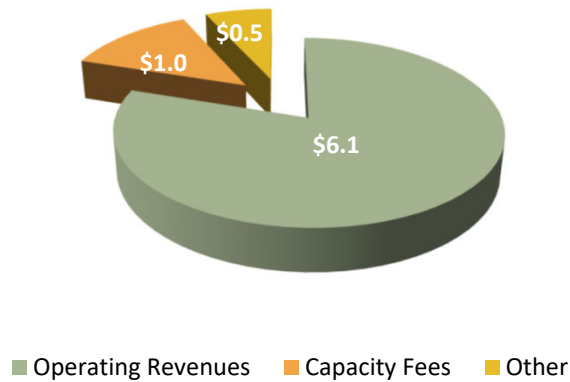




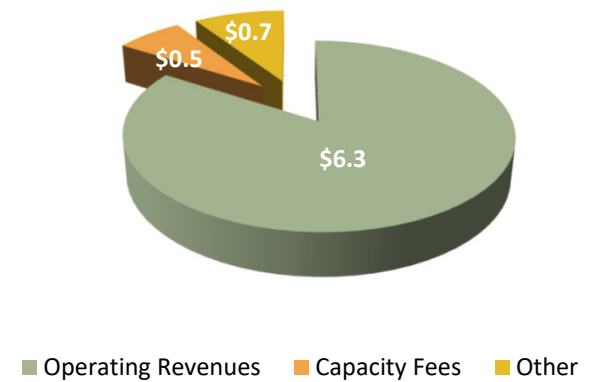
Wastewater Fund Revenues by Source

CAFR pg. 41

FY 2020 - \$7.6 million



FY 2019 - \$7.5 million



Wastewater Fund revenues increased \$0.1 million or 1.4%.

- Operating revenues decreased \$0.2 million or 3% due to accommodations made for customers for COVID-19 closures.
- Capacity fee revenues increased \$0.5 million or 97% due to new development and commercial connections to the wastewater system.
- Other revenues decreased \$0.2 million or 25% primarily due to reduction in interest earnings resulting from smaller increases in fair market values compared to the prior year and a decrease in invested balances.

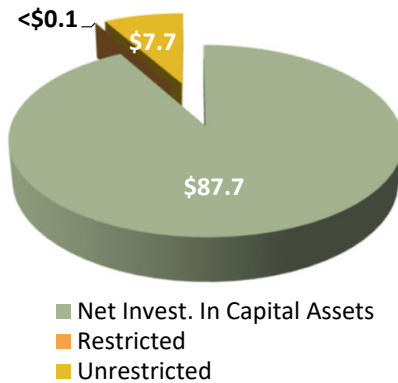




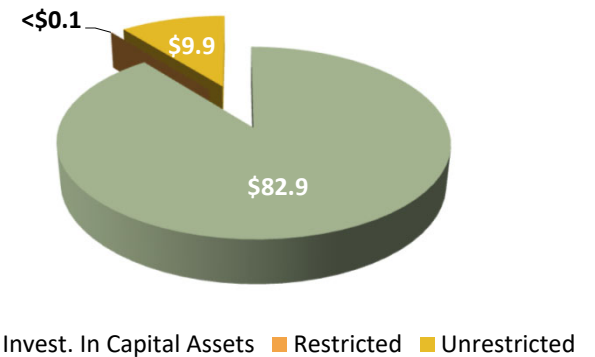
Wastewater Fund Net Position

CAFR pg. 40 & 41

FY 2020 - \$95.4 million



FY 2019 - \$92.8 million



Wastewater Fund net position increased \$2.7 million or 2.9%.

- Net Investment in Capital Assets increased \$4.8 million or 6% due primarily to added capital assets including lift station improvements and tertiary filter upgrades, as well as reductions in outstanding bonds as a result of schedule debt payments.
- Unrestricted net position decreased \$2.1 million or 22% due primarily to reductions in charges for services due to COVID-19 closures, investment earnings, transfers from the General Fund to subsidize a portion of the debt payments.



CAFR 2020



Wastewater Fund Budget Summary

CAFR pg. 97

Charges for Services under budget by \$0.2M

- Accommodations made for customers during COVID-19 closures

Capacity fees under budget by \$0.2M

- One-time capacity fees were not received during the year as originally anticipated

Supplies & Other expenditures under budget by \$0.7M

- Operations maintenance costs were less than anticipated

Capital Outlay expenditures under budget by \$0.5M

- The SR179 sewer main replacement project was delayed and carried over to FY21.

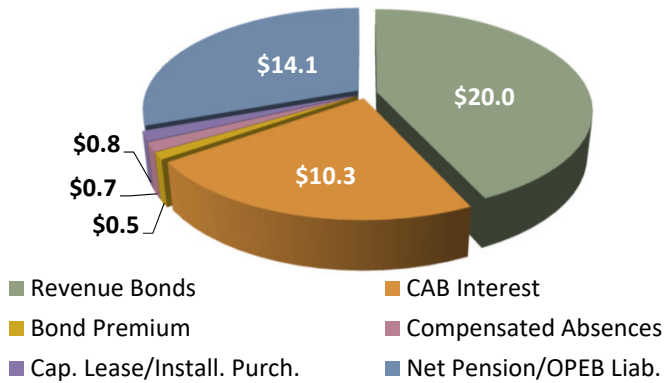




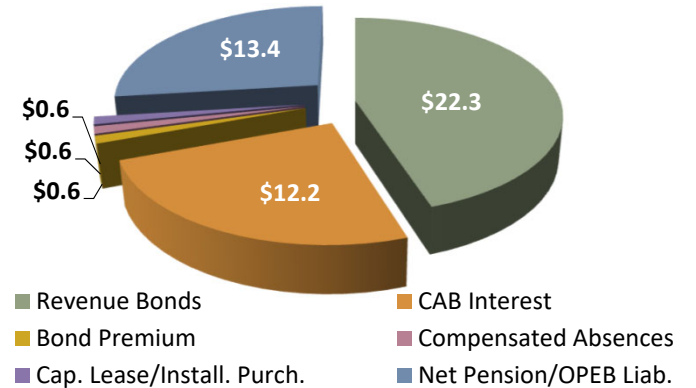
Long-Term Obligations

CAFR pg. 27 & 60

FY 2020 - \$46.3 million



FY 2019 - \$49.6 million



Long-term obligations decreased \$3.3 million or 6.6%.

- Revenue bonds decreased \$2.3 million or 10% due to scheduled bond payments made during the year.
- Interest on capital appreciation bonds decreased \$1.9 million or 16% due to scheduled bond interest payments made during the year.
- Net pension/OPEB liability increased \$0.8 million or 6% due to an increase of \$0.2 million or 3% in the ASRS unfunded liability and an increase of \$0.5 million or 12% in the PSPRS unfunded liability.





Pledged Revenue Coverage

CAFR pg. 59 & 112

Excise tax revenues pledged to pay revenue bonds

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

Minimum required coverage = 1.5 times

FY 2020 revenue coverage = 4.5 times



CAFR 2020



Expenditure Limitation Summary

AELR pg. 2

	FY 2020
Expenditure limit	\$51,416,630
Expenditures subject to limit	41,561,210
Amount under limit	\$ 9,855,420



CAFR 2020



Schedule of Expenditures of Federal Awards

SAR pg. 8

	FY 2020
Single Audit Threshold	\$750,000
Major Program	
Coronavirus Relief Program	\$1,189,912
Other Federal Awards	272,954
Total Expenditures of Federal Awards	\$1,462,866





Audit Results



CAFR 2020



Questions?



CAFR 2020



**CITY COUNCIL
AGENDA BILL**

**AB 2649
February 9, 2021
Regular Business**

Agenda Item: 8b

Proposed Action & Subject: Discussion/possible action regarding the donation of a bronze sculpture from Friends of Jack Jamesen Memorial Sculptural Park to be placed within Jack Jamesen Memorial Park.

Department	Parks and Recreation
Time to Present	5 minutes
Total Time for Item	30 minutes
Other Council Meetings	N/A
Exhibits	A. Biography, Photo/Info, Location B. Detailed information-statue C. Donation Agreement

City Attorney Approval	Reviewed 2/1/2021	Expenditure Required	
		\$	0
City Manager's Recommendation	Accept a donation for a bronze sculpture for Jack Jamesen Memorial Park.	Amount Budgeted	
		\$	0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

The Friends of Jack Jamesen Memorial Sculptural Park (Friends) are interested in improving the park with the addition of a fourth bronze sculpture.

Background: The Friends of Jack Jamesen Memorial Sculptural Park (Friends) are interested in donating one bronze sculpture to be located within Jack Jamesen Memorial Park. According to the Friends, it was the initial intent of this pocket park to create a sculpture garden and was designed with “separate featured themed areas to highlight our dedicated citizens.” The Friends are proposing the donation of a life and a quarter (life size plus 1/4) monumental bronze sculpture of the character Puck from Shakespeare’s “A Midsummer Night’s Dream” in a magical pose. The piece is 22” wide by 35” tall. A Biography of the artist, photo/information about the sculpture, and proposed location within the park can be found in Exhibit A. Exhibit B has detailed information about the statue dimensions and mounting. The Friends are responsible for the installation of each sculpture. There is no anticipated cost to the City. The estimated value of this piece of art is \$54,000.

Community Plan Consistent: Yes - No - Not Applicable

Arts, Key Issues: Need to enhance Sedona’s role as an important arts community. There are two primary components of arts in Sedona: visual arts and performing arts. Both are key ingredients in defining and sustaining Sedona’s regional, national, and international appeal.

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): Approve a different location within Jack Jamesen Memorial Park.

MOTION

I move to: approve the acceptance of the donation of one sculpture to be located at Jack Jamesen Memorial Park and authorize the execution of the donation agreement subject to approval by the City Attorney.



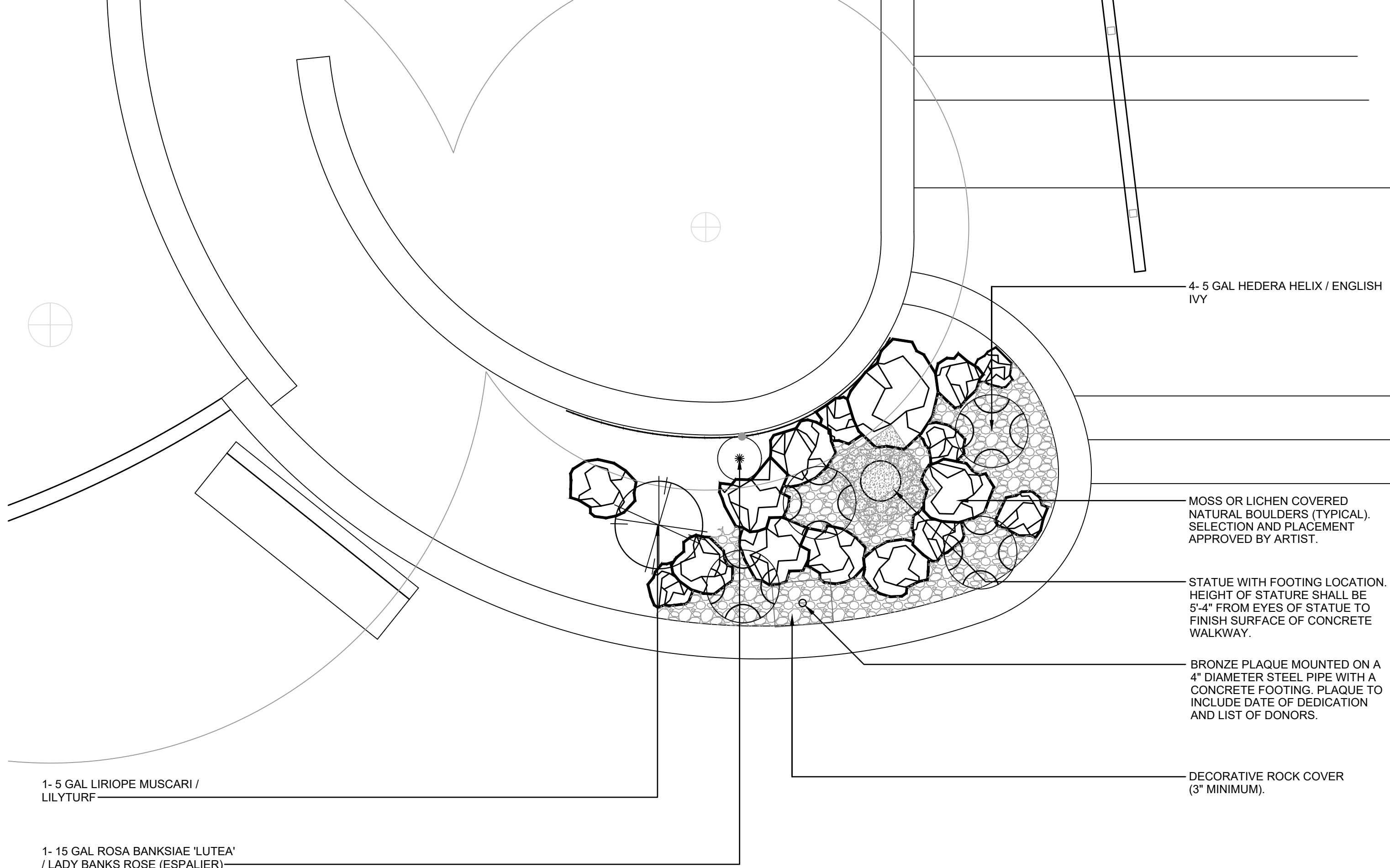
Born and raised in the southwest, Christine DeSpain Schoeder spent her early years going to Indian reservations and Pow Wows and took precious photographs of children that she paints from. One of the trademarks of her work, are the raised bead work in the costumes of the children. Viewers think them as real and want to reach out and touch them. In her fantasy paintings, she comes from a completely different perspective. Of her fairy and angel paintings, she paints from the inside out. To capture the beauty in how she wants to show others. She loves old mythology and her painting "Stolen Child" is based on Yeat's poem of the same name.

The statue is a life and a quarter (life size plus 1/4) monumental bronze sculpture of the character Puck from Shakespeare's Mid-summer Nights Dream in a magical pose. The piece is 22" wide by 35" tall.



The sculpture will site on an approximately 55" by 72" with lichen or moss covered natural boulders and stone over the concrete footing and accented with plant materials similar to the ones on the statue. The sculpture will be attached to the foundation with a steel pipe and plate and bolted to the concrete footing. Beside the statue site there will be a bronze plaque with date of dedication and list of donors.





4- 5 GAL HEDERA HELIX / ENGLISH IVY

MOSS OR LICHEN COVERED NATURAL BOULDERS (TYPICAL). SELECTION AND PLACEMENT APPROVED BY ARTIST.

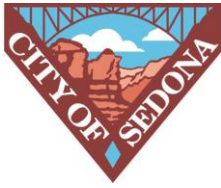
STATUE WITH FOOTING LOCATION. HEIGHT OF STATURE SHALL BE 5'-4" FROM EYES OF STATUE TO FINISH SURFACE OF CONCRETE WALKWAY.

BRONZE PLAQUE MOUNTED ON A 4" DIAMETER STEEL PIPE WITH A CONCRETE FOOTING. PLAQUE TO INCLUDE DATE OF DEDICATION AND LIST OF DONORS.

DECORATIVE ROCK COVER (3" MINIMUM).

1- 5 GAL LIRIOPE MUSCARI / LILYTURF

1- 15 GAL ROSA BANKSIAE 'LUTEA' / LADY BANKS ROSE (ESPALIER)



**Donation Agreement Between
City of Sedona
and
Friends of Jack Jamesen Memorial Sculptural Park**

THIS AGREEMENT, entered into this ____ day of ____, 2021, is by and between the City of Sedona (the "City"), a municipal corporation, and Friends of Jack Jamesen Memorial Sculptural Park (the "Donor"), an Arizona nonprofit corporation.

WHEREAS, the Donor and the City recognize the importance of park facilities and amenities; and

WHEREAS, the Donor has offered to donate up to six bronze sculptures.

NOW, THEREFORE, the City and the Donor, for the consideration and under the described conditions and obligations, hereinafter set forth and agree as follows:

Section 1. The donation, known as *The Puck*, as described below, is donated in its entirety to the citizens of Sedona to be hereafter owned by the City of Sedona and managed on behalf of the citizens by the Department of Parks and Recreation.

Section 2. Description: The Puck. This item is a life and ¼ sized bronze bust statue. The appearance is that of the character Puck from Shakespeare's *Midsummer Nights Dream*, in a magical pose. Christine DeSpain Schroeder is the artist.

Park or Facility: Jack Jamesen Memorial Park

Location: On the east side of the existing walkway in the existing planter in the Military Service Park.

Additional information: The bronze bust will be mounted on a 55"x72" lichen or moss covered natural stacked boulders over concrete footing.

Section 3. The City reserves the right to move/remove and/or retire the said donation following cessation of a five-year period. The five-year period shall commence upon the date entered into and indicated above.

Section 4. Maintenance: The City shall be responsible for maintenance of the item, including any reasonable repairs, and will have the discretion to not replace and/or repair the donation, if it is deemed damaged beyond reasonable repair and/or replacement, suffers repeated vandalism, and/or expires prior to cessation of the five-year period. Maintenance or replacement of the item will be at the City's sole discretion.

Section 5. Term: The initial term of this agreement shall be five years. Following cessation of the five-year period, the City may treat the donation, as it would any other City property similar in nature.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed by their duly authorized officials on the date set forth above.

Sandra J. Moriarty, Mayor
City of Sedona

102 Roadrunner Drive
Sedona, Arizona 86336-3710

Jill Galea, Chairman
Friends of Jack Jamesen Memorial
Sculptural Park
44 Stutz Bearcat
Sedona, AZ 86336

ATTEST:

Susan L. Irvine, CMC, City Clerk

Approved as to form:

Kurt W. Christianson, City Attorney



**CITY COUNCIL
AGENDA BILL**

**AB 2646
February 9, 2021
Regular Business**

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

Department	Legal
Time to Present	15 Minutes
Total Time for Item	30 Minutes
Other Council Meetings	January 26, 2021
Exhibits	None

City Attorney Approval	Reviewed 2/1/2021 KWC	Expenditure Required	
		\$	0
City Manager's Recommendation	None.	Amount Budgeted	
		\$	0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

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

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

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s):

MOTION

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



**CITY COUNCIL
AGENDA BILL**

**AB 2571
February 9, 2021
Regular Business**

Agenda Item: 8d
Proposed Action & Subject: Discussion/possible direction regarding issues surrounding the COVID-19 pandemic and the City's response.

Department	City Manager
Time to Present	15 minutes
Total Time for Item	30 minutes
Other Council Meetings	March 24, 2020, April 14, 2020, April 28, 2020, May 12, 2020, May 26, 2020, June 9, 2020, June 23, 2020, July 14, 2020, July 28, 2020, August 11, 2020, September 8, 2020, September 22, 2020, October 13, 2020, October 27, 2020, November 10, 2020, November 24, 2020, December 9, 2020, January 12, 2021, January 26, 2021
Exhibits	None

City Attorney Approval	Reviewed 2/1/2021 KWC	Expenditure Required	
		\$	0
City Manager's Recommendation	For discussion and possible direction only.	Amount Budgeted	
		\$	0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: This item was added to ensure opportunity to discuss the latest updates with the COVID-19 pandemic and the City's response.

The City continues regular communication with state and county health departments, hospitals, other healthcare providers, emergency responders, emergency managers, and policy experts.

City staff continues to evaluate how the economic slowdown will impact City finances. Staff will be prepared to discuss the latest revenue data and forecasts.

During the meeting staff will present up to date information on COVID-19 related data, regulatory changes, and news on city finances.

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): N/A

MOTION

I move to: for discussion and possible direction only.