

2021



COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Sedona, Arizona
for fiscal year ending June 30, 2021

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CITY OF SEDONA, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2021

Prepared by:
Financial Services Department

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CITY OF SEDONA, ARIZONA

For the Year Ended June 30, 2021

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CITY OF SEDONA, ARIZONA

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INTRODUCTORY SECTION

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City of Sedona
102 Roadrunner Dr.
Sedona, AZ 86336

December 14, 2021

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

We are pleased to submit to you the fiscal year 2021 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 controls 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, 2021, 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, 2021, 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 9,684. The City has attempted to manage its growth in a way to maintain its character. The City's population has decreased 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 further 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, short-term rentals have displaced full-time residents, and housing prices that were already high are increasing even further beyond affordability for the area workforce.

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, a 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 next election opportunity will be in August 2022.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated operating budget approved by the Mayor and City 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 61, 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 2020 to mid-May 2020, which is typically the City's busiest portion of the year for tourism. Hotel occupancy rates hit bottom in April 2020 with an 83% decrease. However, since reopening, the tourism activity has returned and far exceeded prior highs. The fiscal year 2021 sales taxes were up 38% and bed taxes were up 72% resulting in the highest year that the City has ever seen. In addition, the first quarter fiscal year 2022 sales taxes were up 27% and bed taxes were up 38%, continuing the trend of ongoing increases in tourism levels. Pre-COVID-19, a considerable portion of the visitors were typically international and long-distance travelers; however, there has been a significant reduction in the number of tourists in these categories with an increase in the return of the long-distance traveler numbers over the past several months. The substantial increase in regional travelers has more than made up the difference in tourism levels and the sales and bed tax revenues.

Despite the pandemic, both retail, restaurant and bar, hotel/motel, leasing, and communications and utilities tax collections for fiscal year 2021 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 other categories 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 82% of the General Fund revenues. The City's unrestricted sales tax rate is currently at 3%. Unrestricted sales tax revenues increased 45%, after a reduction of only 7% in the prior fiscal year. Since reopening, sales tax revenues have far exceeded expectations and prior year levels, creating all-time highs. 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 drastically exceeded expectations and prior year levels and are expected to continue at these strong levels barring any substantial reclosures due to the pandemic. In response to the dramatic increases in tourism levels, the City Council directed the Sedona Tourism Bureau to fully suspend the destination marketing program during the fiscal year 2022 budget process. Even with the suspension of destination marketing, it is expected that tourism levels will not decrease and likely increase as private marketing continues, as well the free advertising that occurs with every social media post and visitors sharing stories of their Sedona experience with others.

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 9% 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 or decreasing 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 \$19.9 million capital improvement program for fiscal year 2022 includes \$10.5 for streets and transportation related improvements, \$2.9 million for wastewater projects, \$2.2 million for public transit projects, and \$1.9 million for strategic real estate/land acquisition.

Unassigned fund balance in the General Fund at June 30, 2021 was 90% 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, implementation of a local transit system, or strategic acquisition of real estate/land) will be determined in the next budget cycle process for fiscal year 2023.

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 2021 adopted budget projected General Fund surplus balances at the end of the year of \$0.9 million. At June 30, 2021, all of the City's policy reserves are fully funded and General Fund surplus balances exceeding policy requirements at the end of the year were \$15.9 million.

During the fiscal year 2022 budget process, remaining General Fund surpluses attributable to fiscal years 2019 and 2020 were allocated to strategic acquisition of real estate/land and the affordable housing initiative. The remaining \$12.2 million surplus will be allocated during the fiscal year 2023 budget process.

Major Initiatives and Service Efforts and Accomplishments for the Year

During fiscal year 2021, the City continued to invest in programs and amenities that strive to keep Sedona a livable community. The following are some of the service efforts and accomplishments of the City during fiscal year 2021:

Police

- Launched a new in-car camera system and body-worn camera pilot project.
- Opened a resource center and substation in the Uptown area.
- Increased patrols in parking lots and trailheads.
- Exceeded the state's investigation clearance rates for violent crimes by 54.6%.
- Exceeded the state's investigation clearance rates for property crimes by 17.1%.
- Reduced record request wait time from 14 days to 5 days.

Public Works

- Continued implementation of Transportation Master Plan projects, including several bicycle/pedestrian improvements.
- Completed 5.84 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.
- Assisted with traffic and parking control at trailheads.

Economic Development

- Assisted local businesses in acquiring Federal disaster funding, totaling over \$3 million of Paycheck Protection Program Loans and over \$1 million of Economic Injury Disaster Loans (EIDL) and over \$100,000 in EIDL cash advances.
- Formed regional broadband action teams to aid in the development of regional broadband initiatives and grant requests.

Community Development

- Procured a new professional monitoring software service to compile more extensive data on short-term rental activity in the City and to develop a hotline and nuisance reporting system to track and monitor complaints about short-term rental activities.
- Continued an in-house training program for plan reviews and inspections.
- Established parking-in-lieu fees program for Uptown.
- Approximately 350 code enforcement cases processed.
- Completed approximately 3,600 building inspections.
- Completed a housing needs assessment and 5-year affordable housing action plan.

Parks & Recreation

- Offered alternative recreation programs and special events that met COVID-19 guidelines and restrictions.
- Successfully operated the community swimming pool during the pandemic with new protocols to ensure COVID-19 guidelines and restrictions were met.

Wastewater

- Developed a “Sewer Hotline” for citizens to report sewer problems such as backups, spills or odor issues.
- Maintained regulatory compliance, achieving zero deficiencies during an ADEQ inspection of the collection system.
- Completed Phase 2 of the treatment plant interceptor line assessment to obtain sewer main conditions of the 5 miles between City limits and the treatment plant.
- Collected and processed approximately 1.17 million gallons of wastewater per day.

Management Services

- Appointed the Assistant City Manager to the City Manager position and developed overall reorganization plan to address span of control challenges.
- Continued implementation of the Greater Sedona/Oak Creek Canyon Transit System Development and Implementation Plan in coordination with surrounding jurisdictions.
- A Transit Administrator was recruited and onboarded, partially funded through a Federal Transit Administration 5311 grant.
- Continued implementation of strategies from the Municipal Sustainability Plan and finalized the Climate Action Plan.
- Partnered with Solar United Neighbors to introduce a solar co-op for 41 Sedona residents to transition to solar at a reduced cost.
- Continued implementation of Sustainable Tourism Plan, which involved the active participation of Sedona residents, community groups, businesses and visitors.
- Implemented a third-factor authentication system for remote work options during the pandemic, as well as roll-out of new software and hardware to facilitate remote work.

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 2022 budget process. The City Council categorized priorities as either “high,” “medium,” or “low.” Some of the fiscal year 2022 priorities include completing various transportation improvements, implementation of a public transit system, addressing trailhead congestion and impact to neighborhoods, addressing affordable housing issues, implementation of environmental stewardship/sustainability initiatives, improving citizen communications and relations, monitoring and assessing impacts of short-term rentals and identifying opportunities for mitigating the negative impacts, enhancing economic diversification, and updating the emergency preparedness plan.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sedona, Arizona for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020. This was the 22nd 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 report 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 Comprehensive Annual Financial Report 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 2021. 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,

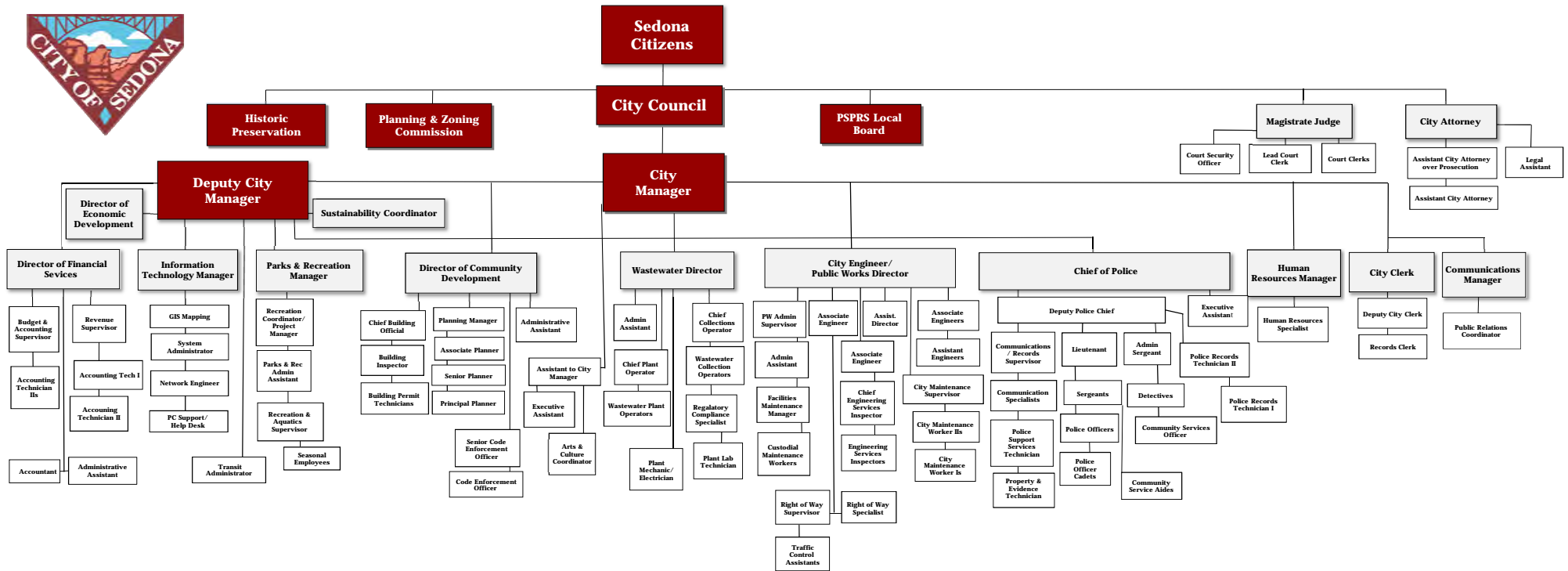


Karen Osburn
City Manager



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

CITY OF SEDONA, ARIZONA
 ORGANIZATIONAL CHART
 JUNE 30, 2021



CITY OF SEDONA, ARIZONA
LIST OF ELECTED AND APPOINTED OFFICIALS
JUNE 30, 2021

Sandy Moriarty
Mayor

Scott Jablow
Vice Mayor

Councilmembers

Kathy Kinsella Tom Lamkin Holli Ploog
Jon Thompson Jessica Williamson

Karen Osburn
City Manager

Joanne Keene
Deputy 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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sedona, Arizona (City) as of and for the year ended June 30, 2021, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sedona, Arizona as of June 30, 2021, 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.

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
December 14, 2021

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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, 2021. 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 2021 and 2020 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 2021 and 2020 by \$189.5 million and \$169.1 million (net position), respectively. Of these amounts, \$45.2 million and \$31.6 million (unrestricted net position), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position increased by \$20.4 million during fiscal year 2021 and increased \$11.5 million during fiscal year 2020.
- As of June 30, 2021 and 2020, the City's governmental funds reported combined ending fund balances of \$47.4 million and \$37.2 million, respectively, which were comprised of nonspendable, restricted, committed, assigned, and unassigned fund balances.
- At the close of fiscal year 2021, unassigned fund balance for the General Fund was \$18.4 million, or 90% of actual expenditures.
- During fiscal year 2021, the City's total bonded debt decreased by \$2.3 million due to scheduled principal payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-Wide Financial Statements

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

The statement of net position presents information on all of the City's assets, deferred outflows of 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.

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 and nonmajor public transit operations.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-Wide Financial Statements (Continued)

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 enterprise funds to account for the wastewater and public transit operations of the City.

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.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

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, as well as the nonmajor enterprise fund. 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 77 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 87 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.

Net position may serve as a useful indicator of a government's financial position. Net position was \$189.5 million and \$169.1 million at the close of the fiscal year 2021 and 2020, respectively.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)

**CITY OF SEDONA, ARIZONA
CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2021 AND 2020**

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|-------------------------|--------------|--------------------------|---------------|---------------|---------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Current and other assets | \$ 53,847,481 | \$40,924,589 | \$ 22,833,492 | \$ 22,348,925 | \$ 76,680,973 | \$ 63,273,514 |
| Capital assets | 61,729,713 | 53,961,088 | 101,669,609 | 103,616,784 | 163,399,322 | 157,577,872 |
| Total assets | 115,577,194 | 94,885,677 | 124,503,101 | 125,965,709 | 240,080,295 | 220,851,386 |
| Deferred outflows of resources | 4,268,179 | 3,495,417 | 364,378 | 280,334 | 4,632,557 | 3,775,751 |
| Long-term liabilities outstanding | 22,895,981 | 21,174,769 | 21,980,135 | 25,153,412 | 44,876,116 | 46,328,181 |
| Other liabilities | 4,649,972 | 2,619,533 | 5,340,916 | 5,540,686 | 9,990,888 | 8,160,219 |
| Total liabilities | 27,545,953 | 23,794,302 | 27,321,051 | 30,694,098 | 54,867,004 | 54,488,400 |
| Deferred inflows of resources | 282,981 | 922,660 | 18,086 | 76,960 | 301,067 | 999,620 |
| Net position | | | | | | |
| Net investment in capital assets | 51,560,554 | 45,125,594 | 87,597,730 | 87,704,542 | 139,158,284 | 132,830,136 |
| Restricted | 5,166,724 | 4,722,195 | 5,678 | 1,854 | 5,172,402 | 4,724,049 |
| Unrestricted | 35,289,161 | 23,816,343 | 9,924,934 | 7,768,589 | 45,214,095 | 31,584,932 |
| Total net position | \$ 92,016,439 | \$73,664,132 | \$ 97,528,342 | \$95,474,985 | \$189,544,781 | \$169,139,117 |

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 \$139.2 million (73%) and \$132.8 million (78%) for the fiscal years 2021 and 2020, 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, \$5.2 million (3%) for fiscal year 2021 and \$4.7 million (3%) for fiscal year 2020, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position for fiscal years 2021 and 2020, \$45.2 million (24%), and \$31.6 million (19%) 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.

Changes in Net Position

The City's net position increased by \$20.4 million and \$11.5 million during the fiscal years 2021 and 2020, respectively. These changes are explained in the governmental and business-type activities discussion below.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position (Continued)

**CITY OF SEDONA, ARIZONA
CONDENSED STATEMENT OF ACTIVITIES
FISCAL YEARS ENDED JUNE 30, 2021 AND 2020**

| | Governmental Activities | | Business-type Activities | | Primary Government | |
|--|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 1,484,064 | \$ 1,172,142 | \$6,027,344 | \$ 6,043,445 | \$ 7,511,408 | \$ 7,215,587 |
| Operating grants and contributions | 1,237,623 | 2,671,868 | 46,400 | - | 1,284,023 | 2,671,868 |
| Capital grants and contributions | 1,372,942 | 1,588,597 | 1,425,829 | 1,074,988 | 2,798,771 | 2,663,585 |
| General revenues | | | | | | |
| Local taxes | 36,797,336 | 25,810,203 | - | - | 36,797,336 | 25,810,203 |
| State revenue sharing | 3,472,933 | 3,068,575 | - | - | 3,472,933 | 3,068,575 |
| Investment earnings | 193,365 | 815,918 | 81,729 | 435,820 | 275,094 | 1,251,738 |
| Other | 244,064 | 194,965 | 16,312 | 13,128 | 260,916 | 208,093 |
| Total revenues | 44,802,867 | 35,322,268 | 7,597,614 | 7,567,381 | 52,400,481 | 42,889,649 |
| Expenses | | | | | | |
| General government | 2,741,355 | 3,100,633 | - | - | 2,741,355 | 3,100,633 |
| Public safety | 8,142,665 | 7,848,655 | - | - | 8,142,665 | 7,848,655 |
| Public works and streets | 5,862,395 | 5,617,752 | - | - | 5,862,395 | 5,617,752 |
| Culture and recreation | 2,305,183 | 2,497,360 | - | - | 2,305,183 | 2,497,360 |
| Economic development | 2,970,824 | 2,618,729 | - | - | 2,970,824 | 2,618,729 |
| Health and welfare | 668,043 | 612,522 | - | - | 668,043 | 612,522 |
| Public transportation | 60,000 | 255,418 | 61,455 | - | 121,455 | 255,418 |
| Housing | 70,127 | 280,621 | - | - | 70,127 | 280,621 |
| Interest on long-term debt | 209,774 | 236,419 | - | - | 209,774 | 236,419 |
| Wastewater | - | - | 8,902,996 | 8,319,467 | 8,902,996 | 8,319,467 |
| Total expenses | 23,030,366 | 23,068,109 | 8,964,451 | 8,319,467 | 31,994,817 | 31,387,576 |
| Increase (decrease) in net position before transfers | 21,772,501 | 12,254,159 | (1,464,878) | (752,086) | 20,405,664 | 11,502,073 |
| Transfers | (3,420,194) | (3,447,000) | 3,420,194 | 3,447,000 | - | - |
| Change in net position | 18,352,307 | 8,807,159 | 2,053,357 | 2,694,914 | 20,405,664 | 11,502,073 |
| Net position - beginning | 73,664,132 | 64,856,973 | 95,474,985 | 92,780,071 | 169,139,117 | 157,637,044 |
| Net position - ending | <u>\$92,016,439</u> | <u>\$73,664,132</u> | <u>\$97,528,342</u> | <u>\$95,474,985</u> | <u>\$189,544,781</u> | <u>\$169,139,117</u> |

Governmental Activities – In fiscal year 2021, governmental activities increased the net position of the City by \$18.4 million. Total revenues increased \$9.5 million (27%) from fiscal year 2020. Program revenues, which are comprised of charges for services, operating and capital grants and contributions, decreased \$1.3 million (25%) primarily due to one-time Cares Act funding received in the prior fiscal year. General revenues, which include local taxes, state revenue sharing, investment income, and other revenues, increased \$10.8 million (36%) due to increases in tax revenues as a result of the significant increases in tourism since the COVID-19 pandemic.

Expenses decreased approximately \$38,000, or 0.2%. General government expenses decreased \$0.4 million or 12% due to expenditure freezes during a portion of the fiscal year out of concern for possible negative financial impacts of the COVID-19 pandemic.

Economic development expenses increased \$0.4 million or 13% primarily due to additional funding to the Sedona Chamber of Commerce & Tourism Bureau to pay off the loan balance of the Jordan Road property and to execute a transfer of title to the City, as well as an increase in the tourism management program.

Public transportation expenses decreased \$0.2 million or 77% due to elimination of the City's portion of the Verde Shuttle costs managed by the City of Cottonwood since costs were fully covered by the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position (Continued)

Housing expenses decreased \$0.2 million or 75% due to an affordable housing study and grant funded expenses related to transitional housing for the homeless incurred in the prior fiscal year.

Business-Type Activities – Business-type activities increased the City's net position by \$2.1 million in fiscal year 2021. Revenue increased approximately \$30,000 and expenses increased by \$0.6 million. The increase in expenses was related to an increase in the pension liability and an increase in depreciation expense.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City 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 \$47.4 million, an increase of \$10.3 million, or a 28% increase in comparison with the prior year. The combined ending fund balances for fiscal year 2020 were \$37.2 million.

The General Fund is the chief operating fund of the City. At June 30, 2021, the unassigned fund balance of the General Fund was \$18.4 million, or 39% of the combined governmental fund balance. The unassigned fund balance of the General Fund at June 30, 2020 was \$12.0 million or 32% 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 \$18.4 million represents 90% of General Fund expenditures.

The General Fund fund balance increase of \$10.4 million from fiscal year 2020 is largely due to an increase in sales tax revenue of \$9.6 million as a result of the significant increases in tourism since the COVID-19 pandemic.

The Streets Fund is used to account for the state shared revenues restricted for street and highway purposes. The fund balance at June 30, 2021 was \$1.6 million. The Streets Fund received a transfer of \$0.3 million from the General Fund to supplement the cost of street improvement projects. The Streets Fund fund balance increased by \$0.3 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, 2021 was \$6.8 million. The Transportation Sales Tax Fund fund balance decreased \$0.2 million due to the utilization of balances for transportation related capital improvements costs.

The Capital Improvements Fund fund balance decreased \$0.6 million to \$9.3 million, due to the utilization of balances accumulated for planned capital projects.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

The nonmajor governmental funds reported an increase in fund balance of \$0.2 million. This increase was a result of delays in planned capital projects paid by development impact fees.

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

At the end of the fiscal year, the unrestricted net position for the Wastewater Fund was \$9.9 million. For fiscal year 2021, the change in net position for the Wastewater Fund was \$2.0 million. The increase was due to 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 that mostly represented miscellaneous transfers between departments and use of contingency funds. The most significant was a \$296,000 transfer of contingency set aside for possible changes to the tourism management contract used for the pay off the loan balance of the Jordan Road property and to execute a transfer of title to the City.

The actual expenditures reflected a favorable variance to the final budget in the amount of \$3.4 million (15%) less than the total appropriations. In fiscal year 2020, actual expenditures showed a favorable variance to final budget in the amount of \$3.6 million (15% less).

Unspent contingencies were approximately \$1.3 million. Parks & Recreation expenditures were under the budgeted amount by \$0.3 million due to the cancellation of several special events and recreation programs, as well as the closure of the public swimming pool during the COVID-19 pandemic. Community Development expenditures were \$0.3 million under the budgeted amount primarily due to delays in implementation of affordable housing programs. Public Works expenditures were \$0.4 million under the budgeted amount due to freezes in place in reaction to concerns regarding the possible negative financial impacts of the COVID-19 pandemic, including timing of streets and drainage maintenance, reduction of landscaping in street medians and rights-of-way, and delays in facilities maintenance projects. Municipal Court expenditures were under the budgeted amount by \$0.4 million primarily due to delays in the court relocation project.

Total revenues reflect a positive variance to budget in the amount of \$13.5 million (55%) for fiscal year 2021 and an unfavorable variance of \$0.8 million (3%) in fiscal year 2020.

Sales tax revenue was greater than the budget amount by \$9.0 million as a result of significant increases in tourism since the COVID-19 pandemic. Bed tax revenue was greater than the budget amount by \$4.0 million also as a result of significant increases in tourism since the COVID-19 pandemic. Intergovernmental revenue was greater than the budget amount by \$0.5 million due to conservative estimates of state shared revenues in reaction to concerns regarding the possible negative financial impacts of the COVID-19 pandemic.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2021 and 2020 amount to \$163.4 million and \$157.6 million, respectively (net of accumulated depreciation). The net increase in capital assets (net of accumulated depreciation) was \$5.8 million, due to large construction projects in progress for roadway, shared use path, and drainage improvements, as well as acquisition of land. Capital assets include land and improvements, building and improvements, wastewater systems, machinery, vehicles, equipment, infrastructure, and construction in progress.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)

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, 2021 AND 2020**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|------------------------------------|-------------------------|--------------|--------------------------|---------------|--------------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land | \$12,946,198 | \$ 9,685,130 | \$ 11,159,413 | \$ 11,159,413 | \$ 24,105,611 | \$ 20,844,543 |
| Construction in progress | 8,382,023 | 8,755,911 | 1,771,751 | 380,489 | 10,153,774 | 9,136,400 |
| Land improvements | 7,871,422 | 8,142,272 | 68,723 | 50,114 | 7,940,145 | 8,192,386 |
| Buildings and improvements | 4,478,146 | 4,741,594 | - | - | 4,478,146 | 4,741,594 |
| Wastewater system | - | - | 88,052,729 | 91,245,055 | 88,052,729 | 91,245,055 |
| Machinery, equipment, and vehicles | 1,552,762 | 1,261,845 | 616,993 | 781,713 | 2,169,755 | 2,043,558 |
| Infrastructure | 26,499,162 | 21,374,336 | - | - | 26,499,162 | 21,374,336 |
| Total capital assets | \$61,729,713 | \$53,961,088 | \$101,669,609 | \$103,616,784 | \$163,399,322 | \$157,577,872 |

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

- Land purchases
- Various road and pedestrian access improvement projects
- Various drainage improvement projects
- Acquisition of street sweeper and fleet vehicles
- Sewer main replacement project

Additional information on the City's capital assets can be found in Note 5 beginning on page 55 of this report.

Long-Term Debt

At the end of fiscal year 2021, the City, had total bonded debt outstanding of \$18.2 million (including related premium). At the end of fiscal year 2020, the City had bonded debt totaling \$20.5 million. All of the fiscal year 2021 total bonded debt was related to revenue bonds. An additional \$8.1 million of debt is outstanding that is related to capital appreciation bonds issued in fiscal year 1998 that will be paid in fiscal years 2022 through 2024. Capital leases and installment purchases outstanding as of June 30, 2021 were \$1.3 million and \$0.7 million, respectively.

**CITY OF SEDONA, ARIZONA
OUTSTANDING OBLIGATIONS
JUNE 30, 2021 AND 2020**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|------------------------------------|-------------------------|-------------|--------------------------|--------------|--------------------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenue bonds | \$5,765,000 | \$6,665,000 | \$12,400,416 | \$13,816,499 | \$18,165,416 | \$20,481,499 |
| Capital appreciation bond interest | - | - | 8,096,607 | 10,273,769 | 8,096,607 | 10,273,769 |
| Capital leases | 1,225,215 | 644,778 | 20,000 | 28,021 | 1,245,215 | 672,209 |
| Installment purchase | 40,398 | 78,943 | - | - | 40,398 | 78,943 |
| Total outstanding debt | \$7,030,613 | \$7,388,721 | \$20,517,023 | \$24,118,289 | \$27,547,636 | \$31,506,420 |

The City's total debt decreased by \$4.0 million (13%) during the current fiscal year. During the current year the City entered into new leases for a street sweeper for \$0.3 million, vehicles for \$0.3 million, and a police camera system for \$0.2 million. The new issuances were offset by the regularly scheduled payments on the existing outstanding debt.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

During the fiscal year, the City maintained its bond rating from Standard & Poor's of "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, 2021, was \$24.4 million in the 6% capacity and \$81.4 million in the 20% capacity. In fiscal year 2020, the 6% capacity limit was \$26.3 million, and the 20% capacity limit was \$87.8 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 58-60 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 2021-22 budgeted General Fund expenditures (including interfund transfers) are balanced with anticipated revenue. The total adopted fiscal year 2021-22 budget is \$71.7 million, which includes capital projects of \$19.9 million and a debt refunding of \$9.0 million. The budget for fiscal year 2022 includes the following considerations:

- While the tourism industry, Sedona's primary industry, was expected to be one of the most heavily impacted by the COVID-19 pandemic, Sedona has seen significant increases in tourism and sales and bed tax revenues are at an all-time high. The fiscal year 2021-22 budget includes priorities intended to help mitigate the impacts of the high tourism levels.
- The fiscal year 2021-22 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 2021-22 budget includes estimated revenue increases of \$2.3 million in sales and bed taxes; however, since the budget was adopted, the sales and bed tax revenues have already exceeded the prior year by \$2.1 million in the first quarter alone.
- The overall salary budgets were increased for an average merit increase of approximately 2% prorated based on anniversary dates by employee, in addition to including adjustments made during fiscal year 2020 21 in consideration of the added hardships on employees due to COVID-19 shortages.
- Increases in health insurance rates and pension contributions have been included, and the additional contribution to pay down the unfunded liability in the Public Safety Personnel Retirement System (PSPRS) has been reinstated for fiscal year 2021-22.
- Eleven positions were added to address staffing gaps in expanded City service levels, to improve succession planning, and to accelerate the City's sustainability program. Other positions were restructured or increased from part-time to full-time.
- The fiscal year 2021-22 budget incorporates various Council priorities, including traffic/transportation improvement projects, environmental stewardship/sustainability, affordable housing, sustainable tourism, economic diversification, and storm drainage improvement projects.
- The fiscal year 2021-22 budget projects a surplus in the General Fund of approximately \$16.3 million. Actual surpluses determined subsequent to year-end are allocated in the next budget process to Council priorities and/or capital improvement projects.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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, 2021

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|-----------------------|
| Assets | | | |
| Cash and investments | \$ 48,035,239 | \$ 22,211,953 | \$ 70,247,192 |
| Restricted assets | 6,200 | 18,000 | 24,200 |
| Receivables, net of allowance for uncollectibles | | | |
| Taxes, net | 4,695,496 | - | 4,695,496 |
| Accounts, net | 311,266 | 528,339 | 839,605 |
| Accrued interest | 37,922 | 14,275 | 52,197 |
| Internal balances | (34,575) | 34,575 | - |
| Due from other government units | 603,339 | 19,319 | 622,658 |
| Prepaid items | 81,610 | 1,353 | 82,963 |
| Net pension/OPEB asset | 110,984 | 5,678 | 116,662 |
| Capital assets | | | |
| Nondepreciable | 21,328,221 | 12,931,164 | 34,259,385 |
| Depreciable (net) | 40,401,492 | 88,738,445 | 129,139,937 |
| Total assets | <u>115,577,194</u> | <u>124,503,101</u> | <u>240,080,295</u> |
| Deferred outflows of resources | | | |
| Deferred outflows related to pensions/OPEB | 3,972,991 | 274,438 | 4,247,429 |
| Deferred charges on debt refunding | 295,188 | 89,940 | 385,128 |
| Total deferred outflows of resources | <u>4,268,179</u> | <u>364,378</u> | <u>4,632,557</u> |
| Liabilities | | | |
| Accounts payable | 773,262 | 290,634 | 1,063,896 |
| Accrued wages and benefits | 318,560 | 39,133 | 357,693 |
| Construction contracts payable | 2,202,197 | 241,247 | 2,443,444 |
| Interest payable | 64,651 | 3,168,888 | 3,233,539 |
| Matured debt principal payable | 900,000 | 1,330,000 | 2,230,000 |
| Retainage payable | 331,537 | 170,156 | 501,693 |
| Due to other government units | 20,281 | - | 20,281 |
| Deposits payable | 17,186 | 18,000 | 35,186 |
| Unearned revenue | 22,298 | 82,858 | 105,156 |
| Noncurrent liabilities | | | |
| Due within one year | 1,550,926 | 4,358,785 | 5,909,711 |
| Due in more than one year | 21,345,055 | 17,621,350 | 38,966,405 |
| Total liabilities | <u>27,545,953</u> | <u>27,321,051</u> | <u>54,867,004</u> |
| Deferred inflows related to pensions/OPEB | <u>282,981</u> | <u>18,086</u> | <u>301,067</u> |
| Net position | | | |
| Net investment in capital assets | 51,560,554 | 87,597,730 | 139,158,284 |
| Restricted for | | | |
| Net pension/OPEB asset | 110,984 | 5,678 | 116,662 |
| Streets | 602,862 | - | 602,862 |
| Court improvements | 53,599 | - | 53,599 |
| Criminal case processing | 53,311 | - | 53,311 |
| Police Department programs | 34,719 | - | 34,719 |
| Parks improvements | 2,825,176 | - | 2,825,176 |
| Summit CFD improvements | 385,049 | - | 385,049 |
| Fairfield CFD improvements | 115,966 | - | 115,966 |
| Affordable housing | 978,474 | - | 978,474 |
| Public art | 6,584 | - | 6,584 |
| Unrestricted | 35,289,161 | 9,924,934 | 45,214,095 |
| Total net position | <u>\$ 92,016,439</u> | <u>\$ 97,528,342</u> | <u>\$ 189,544,781</u> |

The notes to the financial statements are an integral part of this statement.

**CITY OF SEDONA, ARIZONA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenue and Changes in Net Position | | |
|---|---------------------|-------------------------|--|--|---|-----------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Primary Government | | | | | | | |
| Governmental activities | | | | | | | |
| General Government | \$ 2,741,356 | \$ 567,083 | \$ 36,842 | \$ 1,253 | \$ (2,136,178) | \$ - | \$ (2,136,178) |
| Public Safety | 8,142,665 | 830,129 | 111,054 | 70,027 | (7,131,455) | - | (7,131,455) |
| Public Works and Streets | 5,862,395 | 6,463 | 1,069,885 | 1,001,258 | (3,784,789) | - | (3,784,789) |
| Culture and Recreation | 2,305,183 | 80,354 | 4,630 | 300,404 | (1,919,795) | - | (1,919,795) |
| Economic Development | 2,970,824 | - | - | - | (2,970,824) | - | (2,970,824) |
| Health and Welfare | 668,043 | - | 9,950 | - | (658,093) | - | (658,093) |
| Public Transportation | 60,000 | 35 | - | - | (59,965) | - | (59,965) |
| Housing | 70,127 | - | 5,262 | - | (64,865) | - | (64,865) |
| Interest on Long-Term Debt | 209,773 | - | - | - | (209,773) | - | (209,773) |
| Total governmental activities | <u>23,030,366</u> | <u>1,484,064</u> | <u>1,237,623</u> | <u>1,372,942</u> | <u>(18,935,737)</u> | <u>-</u> | <u>(18,935,737)</u> |
| Business-type activities | | | | | | | |
| Wastewater | 8,902,996 | 6,027,344 | - | 1,425,829 | - | (1,449,823) | (1,449,823) |
| Public Transportation | 61,455 | - | 46,400 | - | - | (15,055) | (15,055) |
| Total business-type activities | <u>8,964,451</u> | <u>6,027,344</u> | <u>46,400</u> | <u>1,425,829</u> | <u>-</u> | <u>(1,464,878)</u> | <u>(1,464,878)</u> |
| Total primary government | <u>\$31,994,817</u> | <u>\$7,511,408</u> | <u>\$ 1,284,023</u> | <u>\$ 2,798,771</u> | <u>(18,935,737)</u> | <u>(1,464,878)</u> | <u>(20,400,615)</u> |
| General revenues | | | | | | | |
| Taxes | | | | | | | |
| Sales taxes | | | | | \$ 35,035,221 | \$ - | \$ 35,035,221 |
| Franchise taxes | | | | | 883,456 | - | 883,456 |
| In-lieu taxes | | | | | 878,659 | - | 878,659 |
| Unrestricted state income tax revenue sharing | | | | | 1,477,587 | - | 1,477,587 |
| Unrestricted state sales tax revenue sharing | | | | | 1,199,926 | - | 1,199,926 |
| Unrestricted auto lieu tax revenue sharing | | | | | 795,420 | - | 795,420 |
| Investment earnings | | | | | 193,365 | 81,729 | 275,094 |
| Other revenues | | | | | 244,604 | 16,312 | 260,916 |
| Transfers | | | | | (3,420,194) | 3,420,194 | - |
| Total general revenues and transfers | | | | | <u>37,288,044</u> | <u>3,518,235</u> | <u>40,806,279</u> |
| Change in net position | | | | | 18,352,307 | 2,053,357 | 20,405,664 |
| Net position, beginning | | | | | 73,664,132 | 95,474,985 | 169,139,117 |
| Net position, ending | | | | | <u>\$ 92,016,439</u> | <u>\$ 97,528,342</u> | <u>\$189,544,781</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF SEDONA, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

| | General | Streets | Transportation Sales Tax | Capital Improvements | Nonmajor Funds | Total Governmental Funds |
|--|----------------------|---------------------|-----------------------------|-------------------------|---------------------|--------------------------------|
| Assets | | | | | | |
| Cash and investments | \$ 23,865,509 | \$ 2,458,768 | \$ 6,243,219 | \$ 10,831,640 | \$ 3,742,056 | \$ 47,141,192 |
| Restricted assets | 6,200 | - | - | - | - | 6,200 |
| Receivables, net of allowance for uncollectibles | | | | | | |
| Taxes, net | 4,175,718 | - | 519,778 | - | - | 4,695,496 |
| Accounts, net | 238,650 | - | - | 42,000 | 30,616 | 311,266 |
| Accrued interest | 18,213 | 1,988 | 5,035 | 8,763 | 3,059 | 37,058 |
| Due from other government units | 105,609 | 96,112 | - | 399,317 | 2,301 | 603,339 |
| Due from other funds | 9,464 | - | - | - | - | 9,464 |
| Prepaid items | 14,857 | - | - | - | - | 14,857 |
| Total assets | <u>\$ 28,434,220</u> | <u>\$ 2,556,868</u> | <u>\$ 6,768,032</u> | <u>\$ 11,281,720</u> | <u>\$ 3,778,032</u> | <u>\$ 52,818,872</u> |
| Liabilities | | | | | | |
| Accounts payable | \$ 728,222 | \$ 107 | \$ 25 | \$ 16,704 | \$ - | \$ 745,058 |
| Accrued wages and benefits | 297,799 | - | 2,447 | - | 150 | 300,396 |
| Construction contracts payable | 64,193 | 973,943 | - | 1,164,061 | - | 2,202,197 |
| Interest payable | 64,651 | - | - | - | - | 64,651 |
| Matured debt principal payable | 900,000 | - | - | - | - | 900,000 |
| Retainage payable | - | - | - | 331,537 | - | 331,537 |
| Due to other government units | 20,281 | - | - | - | - | 20,281 |
| Deposits payable | 17,186 | - | - | - | - | 17,186 |
| Unearned revenue | 2,000 | - | - | - | 20,298 | 22,298 |
| Total liabilities | <u>2,094,332</u> | <u>974,050</u> | <u>2,472</u> | <u>1,512,302</u> | <u>20,448</u> | <u>4,603,604</u> |
| Deferred Inflows of Resources | | | | | | |
| Deferred inflows - unavailable revenue | 325,852 | - | - | 428,817 | 30,037 | 784,706 |
| Fund Balances (Deficits) | | | | | | |
| Nonspendable | 14,857 | - | - | - | - | 14,857 |
| Restricted | 1,085,384 | 432,159 | - | - | 3,508,160 | 5,025,703 |
| Committed | 201,446 | - | 6,765,560 | - | 189,568 | 7,156,574 |
| Assigned | 6,357,618 | 1,150,659 | - | 9,340,601 | 34,928 | 16,883,806 |
| Unassigned | 18,354,731 | - | - | - | (5,109) | 18,349,622 |
| Total fund balances (deficits) | <u>26,014,036</u> | <u>1,582,818</u> | <u>6,765,560</u> | <u>9,340,601</u> | <u>3,727,547</u> | <u>47,430,562</u> |
| Total liabilities and fund balances (deficits) | <u>\$ 28,434,220</u> | <u>\$ 2,556,868</u> | <u>\$ 6,768,032</u> | <u>\$ 11,281,720</u> | <u>\$ 3,778,032</u> | <u>\$ 52,818,872</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF SEDONA, ARIZONA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE ACTIVITIES STATEMENT OF NET POSITION
JUNE 30, 2021

| | |
|---|---------------|
| Total Fund Balances for Governmental Funds | \$ 47,430,562 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | |
| Governmental capital assets | 93,647,223 |
| Accumulated depreciation | (32,008,890) |
| Capital assets used in governmental activities | 61,638,333 |
| Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds. | |
| | 784,706 |
| Net pension/OPEB assets held in trust for future benefits are not available for City operations and, therefore, are not reported in the funds. | |
| | 108,267 |
| Long-term liabilities, such as net pension/OPEB liabilities and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | |
| Revenue bonds | (5,765,000) |
| Installment purchase payable | (40,398) |
| Compensated absences | (646,504) |
| Capital leases | (1,225,215) |
| Net pension/OPEB liability | (14,510,955) |
| 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 outflows related to pensions/OPEB | 3,843,384 |
| Deferred inflows related to pensions/OPEB | (274,327) |
| Deferred charges on refunding | 295,188 |
| The internal service fund is used by management to charge the costs of information technology activities to individual funds. The assets, deferred outflows 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 | 422,437 |
| Amount attributable to the business-type activities | (44,039) |
| Net position of governmental activities | \$ 92,016,439 |

The notes to the financial statements are an integral part of this statement.

CITY OF SEDONA, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

| | General | Streets | Transportation Sales Tax | Capital Improvements | Nonmajor Funds | Total Governmental Funds |
|---|----------------------|---------------------|-----------------------------|-------------------------|---------------------|--------------------------------|
| Revenues | | | | | | |
| Taxes | | | | | | |
| Sales taxes | \$ 31,123,810 | \$ - | \$ 3,845,977 | \$ - | \$ - | \$ 34,969,787 |
| Franchise taxes | 883,456 | - | - | - | - | 883,456 |
| In-lieu taxes | 515,335 | - | - | - | 134,287 | 649,622 |
| Licenses and permits | 385,953 | - | - | - | - | 385,953 |
| Intergovernmental | 3,549,092 | 1,069,885 | - | 297,072 | 75,088 | 4,991,137 |
| Charges for services | 667,179 | - | - | - | 790 | 667,969 |
| Fines and forfeitures | 386,317 | - | - | - | - | 386,317 |
| Contributions | 199,000 | - | - | 50,000 | 8,508 | 257,508 |
| Impact fees | - | - | - | - | 659,553 | 659,553 |
| Investment earnings | 77,429 | 8,327 | 34,227 | 52,544 | 17,661 | 190,188 |
| Rents | 41,893 | - | - | - | - | 41,893 |
| Other revenues | 195,166 | - | - | - | - | 195,166 |
| Total revenues | <u>38,024,630</u> | <u>1,078,212</u> | <u>3,880,204</u> | <u>399,616</u> | <u>895,887</u> | <u>44,278,549</u> |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | 2,433,781 | - | - | - | - | 2,433,781 |
| Public safety | 7,291,002 | - | - | - | 52,571 | 7,343,573 |
| Public works and streets | 2,671,120 | 1,024,976 | 48,314 | - | - | 3,744,410 |
| Culture and recreation | 2,084,681 | - | - | - | 3,805 | 2,088,486 |
| Economic development | 2,969,238 | - | - | - | - | 2,969,238 |
| Health and welfare | 667,398 | - | - | - | - | 667,398 |
| Public transportation | 60,000 | - | - | - | - | 60,000 |
| Housing | 64,865 | - | - | - | 5,262 | 70,127 |
| Debt service | | | | | | |
| Principal retirement | 1,093,459 | - | - | - | - | 1,093,459 |
| Interest and fiscal charges | 146,572 | - | - | - | - | 146,572 |
| Capital outlay | 987,739 | - | - | 9,133,692 | 607,471 | 10,728,902 |
| Total expenditures | <u>20,469,855</u> | <u>1,024,976</u> | <u>48,314</u> | <u>9,133,692</u> | <u>669,109</u> | <u>31,345,946</u> |
| Excess (deficiency) of revenues over expenditures | 17,554,775 | 53,236 | 3,831,890 | (8,734,076) | 226,778 | 12,932,603 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | - | 272,840 | - | 8,195,912 | 21,082 | 8,489,834 |
| Transfers out | (7,910,320) | - | (4,007,423) | (21,082) | - | (11,938,825) |
| Capital lease agreements | 735,350 | - | - | - | - | 735,350 |
| Sale of capital assets | 42,045 | - | - | - | - | 42,045 |
| Total other financing sources (uses) | <u>(7,132,925)</u> | <u>272,840</u> | <u>(4,007,423)</u> | <u>8,174,830</u> | <u>21,082</u> | <u>(2,671,596)</u> |
| Net change in fund balances | 10,421,850 | 326,076 | (175,533) | (559,246) | 247,860 | 10,261,007 |
| Fund balances - beginning of year | 15,592,186 | 1,256,742 | 6,941,093 | 9,899,847 | 3,479,687 | 37,169,555 |
| Fund balances - end of year | <u>\$ 26,014,036</u> | <u>\$ 1,582,818</u> | <u>\$ 6,765,560</u> | <u>\$ 9,340,601</u> | <u>\$ 3,727,547</u> | <u>\$ 47,430,562</u> |

The notes to the financial statements are an integral part of this statement.

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, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 10,261,007

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 | 10,540,105 |
| Less: Current year depreciation | (2,725,142) |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

| | |
|-------------------------------------|-----------|
| Unavailable revenue - June 30, 2020 | (320,134) |
| Unavailable revenue - June 30, 2021 | 784,706 |

City pension/OPEB contributions as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because in the Statement of Activities because the reported net pension/OPEB liability is measured a year before the City's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.

| | |
|----------------------------|-------------|
| Pension/OPEB expense | (1,933,462) |
| Pension/OPEB contributions | 1,365,738 |

Debt proceeds provided 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.

| | |
|--|-----------|
| Issuance of capital leases | (735,350) |
| Principal payments on revenue bonds | 900,000 |
| Principal payments on capital leases | 154,913 |
| Principal payments on installment purchase | 38,545 |
| Amortization on deferred amount on refunding | (49,199) |

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.

| | |
|----------------------------------|----------|
| Increase in compensated absences | (65,872) |
|----------------------------------|----------|

The internal service fund is used by management to charge the costs of information technology activities to individual funds. The net revenue of these activities of the internal service fund is reported with governmental activities in the Statement of Activities.

| | |
|--|---------------|
| | 136,452 |
| Change in net position - governmental activities | \$ 18,352,307 |

The notes to the financial statements are an integral part of this statement.

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, 2021

| | Budget | | Actual | Variance with Final Budget |
|---|---------------------|---------------------|----------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | | | | |
| Sales taxes | \$ 15,011,000 | \$ 15,011,000 | \$ 23,972,811 | \$ 8,961,811 |
| Bed taxes | 3,199,900 | 3,199,900 | 7,150,999 | 3,951,099 |
| Franchise taxes | 849,600 | 849,600 | 883,456 | 33,856 |
| In-lieu taxes | 498,000 | 498,000 | 515,335 | 17,335 |
| Licenses and permits | 490,150 | 490,150 | 385,953 | (104,197) |
| Intergovernmental | 3,015,990 | 3,015,990 | 3,549,092 | 533,102 |
| Charges for services | 759,480 | 759,480 | 667,179 | (92,301) |
| Fines and forfeitures | 232,660 | 232,660 | 386,317 | 153,657 |
| Contributions | 199,000 | 199,000 | 199,000 | - |
| Investment earnings | 84,090 | 84,090 | 77,429 | (6,661) |
| Rents | 41,600 | 41,600 | 41,893 | 293 |
| Other revenues | 160,030 | 160,030 | 195,166 | 35,136 |
| Total revenues | <u>24,541,500</u> | <u>24,541,500</u> | <u>38,024,630</u> | <u>13,483,130</u> |
| Budgetary Expenditures | | | | |
| City Council | 65,375 | 65,375 | 55,066 | 10,309 |
| City Manager | 3,595,720 | 3,893,095 | 3,818,396 | 74,699 |
| Human Resources | 302,550 | 302,390 | 282,951 | 19,439 |
| Financial Services | 1,149,870 | 1,147,870 | 1,037,943 | 109,927 |
| City Attorney | 682,760 | 682,760 | 545,741 | 137,019 |
| City Clerk | 302,785 | 304,485 | 288,820 | 15,665 |
| Parks and Recreation | 796,285 | 794,690 | 476,759 | 317,931 |
| General Services | 1,504,794 | 1,567,610 | 1,485,966 | 81,644 |
| Community Development | 1,732,710 | 1,738,360 | 1,418,743 | 319,617 |
| Public Works | 3,747,900 | 3,735,116 | 3,290,014 | 445,102 |
| Economic Development | 293,830 | 293,707 | 190,095 | 103,612 |
| Police | 4,902,986 | 4,902,986 | 4,724,951 | 178,035 |
| Municipal Court | 770,213 | 770,213 | 414,619 | 355,594 |
| Indirect costs | 672,510 | 672,510 | 671,640 | 870 |
| Contingency | 1,644,440 | 1,276,224 | - | 1,276,224 |
| Debt service | 1,034,560 | 1,034,560 | 1,032,801 | 1,759 |
| Total budgetary expenditures | <u>23,199,288</u> | <u>23,181,951</u> | <u>19,734,505</u> | <u>3,447,446</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,342,212</u> | <u>1,359,549</u> | <u>18,290,125</u> | <u>16,930,576</u> |
| Budgetary Other Financing Sources (Uses) | | | | |
| Transfers out | (5,837,840) | (5,837,840) | (7,910,320) | (2,072,480) |
| Sale of capital assets | 14,600 | 14,600 | 42,045 | 27,445 |
| Total budgetary other financing sources (uses) | <u>(5,823,240)</u> | <u>(5,823,240)</u> | <u>(7,868,275)</u> | <u>(2,045,035)</u> |
| Net change in fund balance | (4,481,028) | (4,463,691) | 10,421,850 | 14,885,541 |
| Fund balance - beginning of year | <u>13,888,478</u> | <u>13,888,478</u> | <u>15,592,186</u> | <u>1,703,708</u> |
| Fund balance - end of year | <u>\$ 9,407,450</u> | <u>\$ 9,424,787</u> | <u>\$ 26,014,036</u> | <u>\$ 16,589,249</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF SEDONA, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
STREETS FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Budget</u> | | <u>Variance with</u> |
|---|---------------------|---------------------|----------------------|
| | <u>Original and</u> | <u>Actual</u> | <u>Final Budget</u> |
| | <u>Final</u> | | |
| Revenues | | | |
| Intergovernmental | \$ 919,200 | \$ 1,069,885 | \$ 150,685 |
| Investment earnings | 13,860 | 8,327 | (5,533) |
| Total revenues | <u>933,060</u> | <u>1,078,212</u> | <u>145,152</u> |
| Expenditures | | | |
| Current | | | |
| Public works and streets | 1,205,980 | 1,024,976 | 181,004 |
| Total expenditures | <u>1,205,980</u> | <u>1,024,976</u> | <u>181,004</u> |
| Excess (deficiency) of revenues over expenditures | <u>(272,920)</u> | <u>53,236</u> | <u>326,156</u> |
| Other Financing Sources (Uses) | | | |
| Transfers in | <u>272,840</u> | <u>272,840</u> | <u>-</u> |
| Net change in fund balance | (80) | 326,076 | 326,156 |
| Fund balance - beginning of year | <u>1,010,683</u> | <u>1,256,742</u> | <u>246,059</u> |
| Fund balance - end of year | <u>\$ 1,010,603</u> | <u>\$ 1,582,818</u> | <u>\$ 572,215</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF SEDONA, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
TRANSPORTATION SALES TAX FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | Budget | | Actual | Variance with Final Budget |
|---|----------------------------|----------------------------|----------------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Sales taxes | \$ 2,498,500 | \$ 2,498,500 | \$ 3,845,977 | \$ 1,347,477 |
| Intergovernmental | 70,000 | 70,000 | - | (70,000) |
| Investment earnings | 36,300 | 36,300 | 34,227 | (2,073) |
| Total revenues | <u>2,604,800</u> | <u>2,604,800</u> | <u>3,880,204</u> | <u>1,275,404</u> |
| Expenditures | | | | |
| Current | | | | |
| Public works and streets | 226,480 | 116,130 | 48,314 | 67,816 |
| Public transportation | 40,620 | 10,620 | - | 10,620 |
| Total expenditures | <u>267,100</u> | <u>126,750</u> | <u>48,314</u> | <u>78,436</u> |
| Excess (deficiency) of revenues over expenditures | <u>2,337,700</u> | <u>2,478,050</u> | <u>3,831,890</u> | <u>1,353,840</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers out | <u>(6,179,632)</u> | <u>(6,179,632)</u> | <u>(4,007,423)</u> | <u>2,172,209</u> |
| Total other financing sources (uses) | <u>(6,179,632)</u> | <u>(6,179,632)</u> | <u>(4,007,423)</u> | <u>2,172,209</u> |
| Net change in fund balance | (3,841,932) | (3,701,582) | (175,533) | 3,526,049 |
| Fund balance - beginning of year | <u>6,797,718</u> | <u>6,797,718</u> | <u>6,941,093</u> | <u>143,375</u> |
| Fund balance - end of year | <u><u>\$ 2,955,786</u></u> | <u><u>\$ 3,096,136</u></u> | <u><u>\$ 6,765,560</u></u> | <u><u>\$ 3,669,424</u></u> |

The notes to the financial statements are an integral part of this statement.

CITY OF SEDONA, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

| | Business-Type Activities | | | Governmental |
|---|--------------------------|--------------------------------|----------------------|-------------------|
| | | Nonmajor | Total | Internal Service |
| | Wastewater | Enterprise - Public Transit | Enterprise Funds | Fund |
| Assets | | | | |
| Current assets | | | | |
| Cash and investments | \$ 22,211,953 | \$ - | \$ 22,211,953 | \$ 894,047 |
| Restricted assets | 18,000 | - | 18,000 | - |
| Receivables, net of allowance for uncollectibles | | | | |
| Accounts, net | 528,339 | - | 528,339 | - |
| Accrued interest | 14,275 | - | 14,275 | 864 |
| Due from other government units | - | 19,319 | 19,319 | - |
| Prepaid items | 1,103 | 250 | 1,353 | 66,753 |
| Total current assets | <u>22,773,670</u> | <u>19,569</u> | <u>22,793,239</u> | <u>961,664</u> |
| Noncurrent assets | | | | |
| Net pension/OPEB asset | 5,678 | - | 5,678 | 2,717 |
| Capital assets | | | | |
| Nondepreciable | 12,931,164 | - | 12,931,164 | - |
| Depreciable (net) | 88,738,445 | - | 88,738,445 | 91,380 |
| Total capital assets | <u>101,669,609</u> | <u>-</u> | <u>101,669,609</u> | <u>91,380</u> |
| Total noncurrent assets | <u>101,675,287</u> | <u>-</u> | <u>101,675,287</u> | <u>94,097</u> |
| Total assets | <u>124,448,957</u> | <u>19,569</u> | <u>124,468,526</u> | <u>1,055,761</u> |
| Deferred outflows of resources | | | | |
| Deferred outflows related to pensions/OPEB | 269,299 | 5,139 | 274,438 | 129,607 |
| Deferred charges on debt refunding | 89,940 | - | 89,940 | - |
| Total deferred outflows of resources | <u>359,239</u> | <u>5,139</u> | <u>364,378</u> | <u>129,607</u> |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | 284,581 | 6,053 | 290,634 | 28,204 |
| Accrued wages and benefits | 35,081 | 4,052 | 39,133 | 18,164 |
| Construction contracts payable | 241,247 | - | 241,247 | - |
| Interest payable | 3,168,888 | - | 3,168,888 | - |
| Matured debt principal payable | 1,330,000 | - | 1,330,000 | - |
| Retainage payable | 170,156 | - | 170,156 | - |
| Compensated absences payable, current | 42,931 | - | 42,931 | 22,436 |
| Bonds payable, current | 1,255,000 | - | 1,255,000 | - |
| Capital appreciation bond interest, current | 3,055,000 | - | 3,055,000 | - |
| Capital leases payable, current | 5,854 | - | 5,854 | - |
| Due to other funds | - | 9,464 | 9,464 | - |
| Deposits payable | 18,000 | - | 18,000 | - |
| Unearned revenue | 82,858 | - | 82,858 | - |
| Total current liabilities | <u>9,689,596</u> | <u>19,569</u> | <u>9,709,165</u> | <u>68,804</u> |
| Noncurrent liabilities | | | | |
| Compensated absences payable | 50,588 | - | 50,588 | 30,158 |
| Bonds payable | 11,145,416 | - | 11,145,416 | - |
| Capital appreciation bond interest | 5,041,607 | - | 5,041,607 | - |
| Capital leases payable | 14,146 | - | 14,146 | - |
| Net pension/OPEB liability | 1,369,593 | - | 1,369,593 | 655,315 |
| Total noncurrent liabilities | <u>17,621,350</u> | <u>-</u> | <u>17,621,350</u> | <u>685,473</u> |
| Total liabilities | <u>27,310,946</u> | <u>19,569</u> | <u>27,330,515</u> | <u>754,277</u> |
| Deferred inflows related to pensions/OPEB | 18,086 | - | 18,086 | 8,654 |
| Net position | | | | |
| Net investment in capital assets | 87,597,730 | - | 87,597,730 | 91,380 |
| Restricted for net pension/OPEB asset | 5,678 | - | 5,678 | 2,717 |
| Unrestricted | 9,875,756 | 5,139 | 9,880,895 | 328,340 |
| Total net position | <u>97,479,164</u> | <u>5,139</u> | <u>97,484,303</u> | <u>\$ 422,437</u> |
| 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 | | | | |
| | 44,039 | - | 44,039 | |
| Net position of business-type activities (page 31) | <u>\$ 97,523,203</u> | <u>\$ 5,139</u> | <u>\$ 97,528,342</u> | |

The notes to the financial statements are an integral part of this statement.

CITY OF SEDONA, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

| | Business-Type Activities | | | Governmental |
|--|--------------------------|--------------------------------|---------------------------|--------------------------|
| | Nonmajor | | | Activities |
| | Wastewater | Enterprise - Public Transit | Total Enterprise Funds | Internal Service Fund |
| Operating Revenues | | | | |
| Charges for services | \$ 5,991,385 | \$ - | \$ 5,991,385 | \$ 1,665,425 |
| Other revenues | 52,271 | - | 52,271 | - |
| Total operating revenues | <u>6,043,656</u> | <u>-</u> | <u>6,043,656</u> | <u>1,665,425</u> |
| Operating Expenses | | | | |
| Salaries and employee benefits | 1,657,467 | 52,733 | 1,710,200 | 643,712 |
| Supplies and other | 2,309,831 | 8,722 | 2,318,553 | 814,162 |
| Depreciation | 3,831,720 | - | 3,831,720 | 90,434 |
| Total operating expenses | <u>7,799,018</u> | <u>61,455</u> | <u>7,860,473</u> | <u>1,548,308</u> |
| Operating income (loss) | (1,755,362) | (61,455) | (1,816,817) | 117,117 |
| Nonoperating Revenues (Expenses) | | | | |
| Intergovernmental | - | 46,400 | 46,400 | - |
| Investment earnings | 81,729 | - | 81,729 | 3,144 |
| Interest expense | (1,116,584) | - | (1,116,584) | - |
| Total nonoperating revenues (expenses) | <u>(1,034,855)</u> | <u>46,400</u> | <u>(988,455)</u> | <u>3,144</u> |
| Income before capital contributions and transfers | (2,790,217) | (15,055) | (2,805,272) | 120,261 |
| Capital contributions - capacity fees | 1,425,829 | - | 1,425,829 | - |
| Transfers in | <u>3,400,000</u> | <u>20,194</u> | <u>3,420,194</u> | <u>28,797</u> |
| Change in net position (a) | 2,035,612 | 5,139 | 2,040,751 | 149,058 |
| Net position, beginning of year | <u>95,443,552</u> | <u>-</u> | <u>95,443,552</u> | <u>273,379</u> |
| Net position, end of year | <u>\$ 97,479,164</u> | <u>\$ 5,139</u> | <u>\$ 97,484,303</u> | <u>\$ 422,437</u> |
| Adjustment for the net effect of the current year activity between the internal service fund and the enterprise fund (b) | <u>12,606</u> | <u>-</u> | <u>12,606</u> | |
| Changes in net position of business-type activities (a) + (b) (page 32) | <u>\$ 2,048,218</u> | <u>\$ 5,139</u> | <u>\$ 2,053,357</u> | |

The notes to the financial statements are an integral part of this statement.

CITY OF SEDONA, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

| | Business-Type Activities | | | Governmental Activities |
|--|--------------------------|--------------------------------|---------------------------|----------------------------|
| | Nonmajor | | Total Enterprise Funds | Internal Service Fund |
| | Wastewater | Enterprise - Public Transit | | |
| Cash flows from operating activities | | | | |
| Receipts from customers | \$ 6,051,710 | \$ - | \$ 6,051,710 | \$ 555 |
| Receipts from other funds for goods and services provided | 34,067 | - | 34,067 | 1,664,870 |
| Receipt of customer deposits | 7,000 | - | 7,000 | - |
| Payments to suppliers and service providers | (1,340,052) | (2,919) | (1,342,971) | (772,709) |
| Payments for employee wages and benefits | (1,383,038) | (53,820) | (1,436,858) | (617,442) |
| Payments to other funds for services provided | (829,830) | - | (829,830) | (112,660) |
| Return of customer deposits | (5,750) | - | (5,750) | - |
| Net cash provided by (used for) operating activities | <u>2,534,107</u> | <u>(56,739)</u> | <u>2,477,368</u> | <u>162,614</u> |
| Cash flows from noncapital financing activities | | | | |
| Noncapital grant receipts | - | 27,081 | 27,081 | - |
| Proceeds from interfund borrowing | - | 9,464 | 9,464 | - |
| Transfers from other funds | 3,400,000 | 20,194 | 3,420,194 | 28,797 |
| Net cash provided by (used for) noncapital financing activities | <u>3,400,000</u> | <u>56,739</u> | <u>3,456,739</u> | <u>28,797</u> |
| Cash flows from capital and related financing activities | | | | |
| Capacity fees | 1,425,829 | - | 1,425,829 | - |
| Acquisition and construction of capital assets | (2,248,792) | - | (2,248,792) | (44,096) |
| Principal paid on capital debt | (1,408,021) | - | (1,408,021) | - |
| Interest paid on capital debt | (3,291,841) | - | (3,291,841) | - |
| Net cash provided by (used for) capital and related financing activities | <u>(5,522,825)</u> | <u>-</u> | <u>(5,522,825)</u> | <u>(44,096)</u> |
| Cash flows from investing activities | | | | |
| Interest received on investments | 110,592 | - | 110,592 | 3,762 |
| Net change in cash and cash equivalents | 521,874 | - | 521,874 | 151,077 |
| Cash and cash equivalents - beginning of year (including \$16,750 for the Wastewater Fund reported in restricted accounts) | 21,708,079 | - | 21,708,079 | 742,970 |
| Cash and cash equivalents - end of year (including \$18,000 for the Wastewater Fund reported in restricted accounts) | <u>\$ 22,229,953</u> | <u>\$ -</u> | <u>\$ 22,229,953</u> | <u>\$ 894,047</u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities | | | | |
| Operating income (loss) | \$ (1,755,362) | \$ (61,455) | \$ (1,816,817) | \$ 117,117 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities | | | | |
| Depreciation expense | 3,831,720 | - | 3,831,720 | 90,434 |
| Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources: | | | | |
| Accounts receivable, net | 35,942 | - | 35,942 | - |
| Prepaid items | (963) | (250) | (1,213) | (66,496) |
| Net pension/OPEB asset | (3,824) | - | (3,824) | (1,655) |
| Deferred outflows of resources related to pensions/OPEB | (96,893) | (5,139) | (102,032) | (51,224) |
| Accounts payable | 140,912 | 6,053 | 146,965 | (4,711) |
| Accrued wages and benefits | 6,031 | 4,052 | 10,083 | 3,142 |
| Deposits payable | 1,250 | - | 1,250 | - |
| Unearned revenue | 6,179 | - | 6,179 | - |
| Compensated absences | 25,233 | - | 25,233 | 9,787 |
| Net pension/OPEB liability | 402,756 | - | 402,756 | 101,639 |
| Deferred inflows of resources related to pensions/OPEB | (58,874) | - | (58,874) | (35,419) |
| Net cash provided by (used for) operating activities | <u>\$ 2,534,107</u> | <u>\$ (56,739)</u> | <u>\$ 2,477,368</u> | <u>\$ 162,614</u> |
| Noncash investing, capital, and noncapital financing activities | | | | |
| Amortization of bond premiums | \$ (86,083) | \$ - | \$ (86,083) | \$ - |
| Amortization of deferred amounts on refunding | 17,988 | - | 17,988 | - |
| Amortization of capital appreciation bonds | 802,838 | - | 802,838 | - |

The notes to the financial statements are an integral part of this statement.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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, as applied to governmental units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is 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 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 both legally and substantively 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. These statements distinguish between the City's governmental and business-type activities. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and segment of its business-type functions. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses are allocated to functions and segments based on the benefits received. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment.
- Operating grants and contributions.
- Capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, including those dedicated for specific purposes, the City levies or imposes, are reported as general revenues.

Generally, the effect of interfund activity has been removed from the government-wide financial statements to minimize the double-counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

The fund financial statements provided information about the City's funds, including blended component units. Separate statements are presented for the governmental and proprietary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as user charges, in which each party receives and gives up essentially equal values are operating revenues. Other revenues, such as subsidies and grant funding, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expenses, and depreciation of capital assets. Other expenses, such as interest expense, are considered nonoperating 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 maintenance costs for public streets, including 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. As of June 30, 2021, the tax was 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.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The City reports the following major enterprise funds:

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

The City also reports the following fund types:

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

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 funds) 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.

The 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 recognized as expenditures to the extent they are due and payable. 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 long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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.

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 issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; 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 both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

1. Summary of Significant Accounting Policies (Continued)

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

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.

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 and balance sheet include 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 charges on refunding reported in the government-wide statement of net position and deferred amounts related to pension and other postemployment benefits (OPEB). The deferred charges 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.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

1. Summary of Significant Accounting Policies (Continued)

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

6. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position and balance sheet include 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, in-lieu 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. The liability for 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 2021, the City paid for compensated absences as follows: 86% from the General Fund, 9% from major funds, and 5% 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 postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB and pension and OPEB expense, information about the plans' fiduciary net position, and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

1. Summary of Significant Accounting Policies (Continued)

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

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.

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

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities 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, and unrestricted, which includes 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.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

1. Summary of Significant Accounting Policies (Continued)

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

11. Fund Balance (Continued)

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 assign 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 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 target for the Streets Fund (excluding any other committed or assigned fund balances for specific purposes) shall be the difference between the highest expected annual pavement preservation/street rehabilitation cost and the average annual pavement preservation/street rehabilitation cost.
- 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.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

2. Stewardship, Compliance, and Accountability (Continued)

A. Budgetary Information (Continued)

2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the City is legally enacted through passage of a resolution. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. Expenditures may not legally exceed the expenditure limitation, described above, of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds, which is the legal level of budgetary control for these funds. The City Manager may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity.
5. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, and Capital Projects Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.
6. Appropriations in all funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances technically lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and become part of the subsequent year's budget, and the encumbrances are automatically reestablished in the next year.

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 a bank's 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 \$4,977,476 and the bank balance was \$4,976,783. At year-end, \$750,000 of the City's deposits was covered by federal depository insurance and the remaining \$4,226,783 was collateralized by the Arizona State Treasurer's pooled collateral program.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

3. Deposits and Investments (Continued)

Total cash and investments at fair value as reported at June 30, 2021, are as follows:

| | |
|---|--------------|
| Deposits | |
| Cash on hand | \$ 2,543 |
| Cash in bank | 4,977,476 |
| Investments | |
| State Treasurer's investment pool | 44,782,389 |
| Negotiable certificates of deposit | 2,764,585 |
| Money market funds | 5,714,211 |
| U.S. agency securities | 12,030,188 |
| Total deposits and investments | 70,271,392 |
| Restricted assets | (24,200) |
| Total unrestricted deposits and investments | \$70,247,192 |

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

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

| Investment Type | Investment maturities (in years) | | | |
|------------------------------------|----------------------------------|--------------|--------------|--------------|
| | Fair Value | Less than 1 | 1-3 | 4-5 |
| U.S. agency securities | \$12,030,188 | \$ 2,008,574 | \$ 2,054,134 | \$ 7,967,480 |
| Money market funds | 5,714,211 | 5,714,211 | - | - |
| Negotiable certificates of deposit | 2,764,585 | 1,252,940 | 1,260,684 | 250,961 |
| State Treasurer's investment pools | 44,782,389 | 44,782,389 | - | - |
| | \$65,291,373 | \$53,758,114 | \$ 3,314,818 | \$ 8,218,441 |

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City's investment policy requires limiting investments in the portfolio to the asset classes designated as acceptable in accordance with state statutes, and conducting an analysis of the credit worthiness of all individual debt issuers held in the portfolio on an annual basis in an effort to guard against investing in weak or deteriorating credit situations. 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:

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

3. Deposits and Investments (Continued)

| Investment Type | Rating | Rating Agency | Fair Value |
|---------------------------------------|----------|---------------|---------------------|
| U.S. agency securities | AA+ | Moody's | \$12,030,188 |
| Money market funds | AAAm | S&P | 5,714,211 |
| Negotiable certificates of deposit | N/R | N/R | 2,764,585 |
| State Treasurer's Investment Pool 5 | AAAf/S1+ | S&P | 3,246,301 |
| State Treasurer's Investment Pool 7 | N/R | N/R | 41,495,656 |
| State Treasurer's Investment Pool 500 | N/R | N/R | 40,432 |
| | | | <u>\$65,291,393</u> |

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the City's investment in a single issuer. 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. The City's investment percentages by investment type are shown below:

| Investment Type | Fair Value | Percent of City Investments |
|------------------------------------|---------------------|-----------------------------|
| U.S. agency securities | \$12,030,188 | 18.43% |
| Money market funds | 5,714,211 | 8.75% |
| Negotiable certificates of deposit | 2,764,585 | 4.23% |
| State Treasurer's investment pools | 44,782,389 | 68.59% |
| Total investments | <u>\$65,291,373</u> | <u>100.00%</u> |

Fair Value Measurements – The City uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures. Investments valued using the net asset value (NAV) per share (or its equivalent) are City investments in the Arizona State Treasurer's Investment Pool (LGIP) and unlike more traditional investments, generally do not have readily obtainable fair values. Investments valued at NAV utilized net asset values as provided by State of Arizona Treasurer's Office at June 30, 2021.

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.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

3. Deposits and Investments (Continued)

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

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

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

Level III – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the City’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, 2021:

| Investments by Fair Value Level | Fair Value | 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) |
| Debt Securities | | | | |
| U.S. agency securities | \$12,030,188 | \$ - | \$12,030,188 | \$ - |
| Negotiable certificates of deposit | 2,764,585 | - | 2,764,585 | - |
| Total investments by fair value level | 14,794,773 | \$ - | \$14,794,773 | \$ - |
| Investments Measured at Net Asset Value | | | | |
| State Treasurer’s investment pools | 44,782,389 | | | |
| Total investments measured at fair value | 55,577,162 | | | |
| Investments Measured at Amortized Cost | | | | |
| Money market funds | 5,714,211 | | | |
| Total investments | \$65,291,373 | | | |

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 carried at fair value fall in level 2 and are valued using market quotes from the safekeeping agent.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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 | | |
| Sales tax receivable | \$139,773 | \$ - |
| Court fines receivable | 186,079 | |
| Miscellaneous unearned fees | | 2,000 |
| Capital Improvements Fund | | |
| State grant reimbursements receivable | 399,317 | |
| Miscellaneous receivable | 29,500 | |
| Nonmajor Governmental Funds | | |
| Grant advances prior to meeting all eligibility requirements | | 20,298 |
| In-lieu taxes receivable | 30,037 | |
| | \$784,706 | \$ 22,298 |

Approximately \$140,000 of the court fines receivable reported in the General Fund is not expected to be collected within the next year.

5. Capital Assets

A. Governmental Activities

Capital asset activity for governmental activities for the year ended June 30, 2021, was as follows:

| | Balance as of July 1, 2020 | Additions | Deductions | Balance as of June 30, 2021 |
|--|-------------------------------|--------------|---------------|--------------------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 9,685,130 | \$ 3,261,068 | \$ - | \$ 12,946,198 |
| Construction in progress | 8,755,911 | 6,306,545 | (6,680,433) | 8,382,023 |
| Total capital assets, not being depreciated | 18,441,041 | 9,567,613 | (6,680,433) | 21,328,221 |
| Capital assets, being depreciated | | | | |
| Land improvements | 11,322,484 | 34,010 | - | 11,356,494 |
| Building and improvements | 9,407,833 | 80,367 | - | 9,488,200 |
| Machinery, equipment, and vehicles | 5,175,506 | 902,211 | (72,153) | 6,005,564 |
| Infrastructure | 39,699,575 | 6,680,433 | - | 46,380,008 |
| Total capital assets, being depreciated | 65,605,398 | 7,697,021 | (72,153) | 73,230,266 |
| Less accumulated depreciation for | | | | |
| Land improvements | (3,180,212) | (304,860) | - | (3,485,072) |
| Building and improvements | (4,666,239) | (343,815) | - | (5,010,054) |
| Machinery, equipment, and vehicles | (3,913,661) | (611,294) | 72,153 | (4,452,802) |
| Infrastructure | (18,325,239) | (1,555,607) | - | (19,880,846) |
| Total accumulated depreciation | (30,085,351) | (2,815,576) | 72,153 | (32,828,774) |
| Total capital assets, being depreciated, net | 35,520,047 | 4,881,445 | - | 40,401,492 |
| Governmental activities capital assets, net | \$ 53,961,088 | \$14,449,058 | \$(6,880,433) | \$ 61,729,713 |

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

5. Capital Assets (Continued)

B. Business-Type Activities

Capital asset activity for business-type activities for the year ended June 30, 2021, was as follows:

| | Balance as of July 1, 2020 | Additions | Deductions | Balance as of June 30, 2021 |
|--|-------------------------------|----------------------|--------------------|--------------------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 11,159,413 | \$ - | \$ - | \$ 11,159,413 |
| Construction in progress | 380,489 | 1,507,790 | (116,528) | 1,771,751 |
| Total capital assets, not being depreciated | 11,539,902 | 1,507,790 | (116,528) | 12,931,164 |
| Capital assets, being depreciated | | | | |
| Land improvements | 51,700 | 19,707 | - | 71,407 |
| Wastewater system | 143,838,748 | 390,657 | - | 144,229,405 |
| Machinery, equipment, and vehicles | 6,031,680 | 82,919 | - | 6,114,599 |
| Total capital assets, being depreciated | 149,922,128 | 493,283 | - | 150,415,411 |
| Less accumulated depreciation for | | | | |
| Land improvements | (1,586) | (1,098) | - | (2,684) |
| Wastewater system | (52,593,693) | (3,582,983) | - | (56,176,676) |
| Machinery, equipment, and vehicles | (5,249,967) | (247,639) | - | (5,497,606) |
| Total accumulated depreciation | (57,845,246) | (3,831,720) | - | (61,676,966) |
| Total capital assets, being depreciated, net | 92,076,882 | (3,338,437) | - | 88,738,445 |
| Business-type activities capital assets, net | <u>\$103,616,784</u> | <u>\$(1,830,647)</u> | <u>\$(116,528)</u> | <u>\$101,669,609</u> |

C. Depreciation Expense

Depreciation expense was charged to functions/programs as follows:

| | |
|---|--------------------|
| Governmental Activities | |
| General government | \$ 268,881 |
| Public safety | 336,738 |
| Public works and streets | 1,941,984 |
| Culture and recreation | 177,539 |
| Internal service fund | 90,434 |
| Total governmental activities depreciation expense | <u>\$2,815,576</u> |
| Business-type Activities | |
| Wastewater | <u>\$3,831,720</u> |

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

6. Construction Commitments

The City has active construction projects at June 30, 2021. At fiscal year end, the City's commitments with contractors were as follows:

| Project | Spent-to-date | Remaining Commitment |
|---|--------------------|-------------------------|
| Governmental activities | | |
| Posse Grounds Parking and Soldiers Pass Road Shared Use Path | \$ 96,036 | \$1,352,872 |
| Thunder Mountain Road Drainage, Shared Use Path, and Road Overlay | 2,654,664 | 30,740 |
| Bicycle Green Lanes | 18,500 | 16,667 |
| Shelby Drive/Sunset Drive Improvements | 858,091 | 1,243,247 |
| Dry Creek Road Shared Use Path | 586,178 | 198,921 |
| Total governmental activities | <u>\$4,213,469</u> | <u>\$2,842,447</u> |
| Business-type activities | | |
| State Route 179 Sewer Main Replacement | \$1,746,734 | \$ 164,528 |
| Total business-type activities | <u>\$1,746,734</u> | <u>\$ 164,528</u> |

7. Interfund Receivables, Payables, and Transfers

The City pools cash and investments for cash management purposes and improved performance. At June 30, 2021, the Public Transit Enterprise Fund had a deficit balance of \$9,464 that represents internal borrowing of pooled assets. An interfund receivable and payable has been recorded between the Public Transit Enterprise 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.

Interfund transfers for the year ended June 30, 2021 consisted of the following:

| Transfers to | Transfers from | | | Total |
|-----------------------------|--------------------|-------------------------------------|---------------------------------|---------------------|
| | General Fund | Transportation Sales Tax Fund | Capital Improvements Fund | |
| Streets Fund | \$ 272,840 | \$ - | \$ - | \$ 272,840 |
| Capital Improvements Fund | 4,208,683 | 3,987,229 | - | 8,195,912 |
| Nonmajor Governmental Funds | - | - | 21,082 | 21,082 |
| Wastewater Fund | 3,400,000 | - | - | 3,400,000 |
| Nonmajor Enterprise Fund | - | 20,194 | - | 20,194 |
| Internal Service Fund | 28,797 | - | - | 28,797 |
| Totals | <u>\$7,910,320</u> | <u>\$4,007,423</u> | <u>\$21,082</u> | <u>\$11,938,825</u> |

During the year, transfers are used to (1) move General Fund resources assigned each year to support the Capital Improvements Fund (\$2,000,000), (2) move General Fund resources to provide an annual subsidy to the Wastewater Fund (\$3,400,000) and the Streets Fund (\$272,840), (3) fund the Art in Public Places Fund, a nonmajor governmental fund, with 1% of construction projects funded with unrestricted monies (\$21,082), (4) move Transportation Sales Tax Fund revenues to the Public Transit Fund, a nonmajor enterprise fund, to cover operating costs and grant matches, and (5) move paid parking revenues to the Internal Service Fund for information technology costs associated with the paid parking program (\$28,797).

Further, during the year ended June 30, 2021, the City made the following one-time transfers:

- A transfer of surplus balances from the General Fund to the Capital Improvements Fund to be used for strategic land acquisition (\$2,145,079) and a transfer of paid parking revenues pledged for improvements in Uptown to cover capital project costs (\$63,604).
- A transfer of Transportation Sales Tax Fund revenues to the Capital Improvements Fund to be used for transportation project expenditures incurred during the year (\$3,987,229).

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

8. Obligations Under Installment Purchase Contracts (Direct Borrowings)

The City has acquired holiday decorations under a contract agreement at a total purchase price of \$125,527. The assets acquired are as follows:

| | |
|--------------------------------|----------------------------|
| | Governmental activities |
| Holiday decorations | \$125,527 |
| Less: accumulated depreciation | (40,525) |
| Carrying value | \$ 85,002 |

The following schedule details debt service requirements to maturity for the City's installment purchase contracts payable at June 30, 2021:

| Year ending June 30 | Governmental Activities | | |
|---------------------|-------------------------|----------|----------|
| | Principal | Interest | Totals |
| 2022 | \$40,398 | \$1,444 | \$41,842 |
| Total | \$40,398 | \$1,444 | \$41,842 |

9. Obligations Under Capital Leases

The City has acquired vehicles, equipment, 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 |
|------------------------------------|----------------------------|------------------------|-------------|
| Building improvements | \$ 371,998 | \$ - | \$ 371,998 |
| Machinery, equipment, and vehicles | 1,543,010 | 29,170 | 1,572,180 |
| Less: accumulated depreciation | (1,007,995) | (15,717) | (1,023,712) |
| Carrying value | \$ 907,013 | \$ 13,453 | \$ 920,466 |

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

| Year ending June 30 | Governmental Activities | Business Activities | Totals |
|---------------------------------------|----------------------------|------------------------|-------------|
| 2022 | \$ 261,820 | \$ 6,900 | \$ 268,720 |
| 2023 | 262,558 | 6,900 | 269,458 |
| 2024 | 263,311 | 6,900 | 270,212 |
| 2025 | 231,577 | 2,875 | 234,453 |
| 2026 | 143,885 | - | 143,885 |
| 2027 to 2031 | 204,258 | - | 204,258 |
| Total minimum payments | 1,367,410 | 23,576 | 1,390,986 |
| Less: amount representing interest | (142,195) | (3,576) | (145,771) |
| Present value of net minimum payments | \$1,225,215 | \$ 20,000 | \$1,243,215 |

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

10. Bonds Payable

The following is a list of revenue obligation bonds outstanding as of June 30, 2021.

| Description | Original Issue Amount | Interest Rates | Maturity Dates | Outstanding Principal |
|--|--------------------------|----------------|-------------------|--------------------------|
| Governmental activities | | | | |
| Revenue bonds | | | | |
| Excise Tax Revenue Refunding Bonds, Second Series 2015 | <u>\$ 8,030,000</u> | 1.94% | 7/1/22-27 | <u>\$ 5,765,000</u> |
| Business-type activities | | | | |
| Revenue bonds | | | | |
| Excise Tax Revenue Bonds Series 1998 | 41,035,000 | 5.24% | 7/1/22-24 | 3,575,000 |
| 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 | <u>49,430,000</u> | | | <u>11,970,000</u> |
| Total revenue bonds | <u>\$57,460,000</u> | | | <u>\$17,735,000</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, 2021 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 \$17,735,000 in excise tax revenue refunding bonds, plus \$11,456,559 of interest. Total principal and interest payments on the bonds are expected to require less than 20% of pledged revenues. Pledged revenue for the current year was \$35,125,807. In the current year, total principal paid was \$2,230,000 and interest paid was \$3,487,076.

Debt service requirements on bonds payable at June 30, 2021 are as follows:

| Year ending June 30, | Governmental Activities | | Business-type Activities | |
|----------------------|-------------------------|------------------|--------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 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 | 990,000 | 38,703 | 4,290,000 | 193,050 |
| 2027 | 1,005,000 | 19,497 | - | - |
| Totals | <u>\$5,765,000</u> | <u>\$397,409</u> | <u>\$11,970,000</u> | <u>\$11,059,150</u> |

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

11. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended June 30, 2021, are as follows:

| | Balance, July 1, 2020 | Additions | Reductions | Balance, June 30, 2021 | Due Within One Year |
|---|--------------------------|-------------|---------------|---------------------------|------------------------|
| Governmental activities | | | | | |
| Bonds payable | | | | | |
| Revenue bonds | \$ 6,665,000 | \$ - | \$ (900,000) | \$5,765,000 | \$ 920,000 |
| Other liabilities | | | | | |
| Compensated absences | 623,439 | 455,567 | (379,908) | 699,098 | 363,254 |
| Installment purchases (direct borrowings) | 78,943 | - | (38,546) | 40,398 | 40,398 |
| Capital leases | 644,778 | 735,350 | (154,913) | 1,225,215 | 227,274 |
| Net pension/OPEB liability | 13,162,609 | 2,003,661 | - | 15,166,270 | - |
| Total other liabilities | 14,509,769 | 3,194,578 | (573,367) | 17,130,981 | 630,926 |
| Total governmental activities | \$21,174,769 | \$3,194,578 | \$(1,473,367) | \$22,895,981 | \$1,550,926 |

| | Balance, July 1, 2020 | Additions | Reductions | Balance, June 30, 2021 | Due Within One Year |
|---|--------------------------|-------------|---------------|---------------------------|------------------------|
| Business-Type activities | | | | | |
| Bonds payable and related interest | | | | | |
| Revenue bonds | \$13,300,000 | \$ - | \$(1,330,000) | \$11,970,000 | \$1,255,000 |
| Capital appreciation bond interest | 10,273,769 | 802,838 | (2,980,000) | 8,096,607 | 3,055,000 |
| Premiums | 516,499 | - | (86,083) | 430,416 | - |
| Total bonds payable and related interest | 24,090,268 | 802,838 | (4,396,083) | 20,497,023 | 4,310,000 |
| Other liabilities: | | | | | |
| Compensated absences | 68,286 | 45,887 | (20,654) | 93,519 | 42,931 |
| Capital leases | 28,021 | - | (8,021) | 20,000 | 5,854 |
| Net pension/OPEB liability | 966,837 | 402,756 | - | 1,369,593 | - |
| Total other liabilities | 1,063,144 | 448,643 | (28,675) | 1,483,112 | 48,785 |
| Total business-type activities | \$25,153,412 | \$1,251,481 | \$(4,424,758) | \$21,980,135 | \$4,358,785 |

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

12. Fund Balance

The following represents the classifications of the City's fund balance for fiscal year ended June 30, 2021:

| | General Fund | Streets Fund | Transportation Sales Tax Fund | Capital Improvements Fund | Nonmajor Governmental Funds | Totals |
|------------------------------------|---------------------|--------------------|----------------------------------|---------------------------------|-----------------------------------|---------------------|
| Nonspendable | | | | | | |
| Prepaid items | \$ 14,857 | \$ - | \$ - | \$ - | \$ - | \$ 14,857 |
| Restricted | | | | | | |
| Affordable housing | 978,474 | - | - | - | - | 978,474 |
| Court improvements | 53,599 | - | - | - | - | 53,599 |
| Criminal case processing | 53,311 | - | - | - | - | 53,311 |
| Streets | - | 432,159 | - | - | 170,703 | 602,862 |
| Parks capital improvements | - | - | - | - | 2,825,176 | 2,825,176 |
| Summit CFD capital improvements | - | - | - | - | 385,049 | 385,049 |
| Fairfield CFD capital improvements | - | - | - | - | 85,929 | 85,929 |
| Police Department programs | - | - | - | - | 34,719 | 34,719 |
| Public art | - | - | - | - | 6,584 | 6,584 |
| Committed | | | | | | |
| Court enhancements | 201,446 | - | - | - | - | 201,446 |
| Transportation projects | - | - | 6,765,560 | - | - | 6,765,560 |
| Public art | - | - | - | - | 167,843 | 167,843 |
| PSPRS contributions | - | - | - | - | 13,544 | 13,544 |
| Military park | - | - | - | - | 8,181 | 8,181 |
| Assigned | | | | | | |
| Affordable housing | 3,227,409 | - | - | - | - | 3,227,409 |
| Real estate/land acquisition | 1,854,921 | - | - | - | - | 1,854,921 |
| Equipment replacement | 967,609 | - | - | - | - | 967,609 |
| Budget carryovers | 169,300 | - | - | - | - | 169,300 |
| Uptown improvements | 138,379 | - | - | - | - | 138,379 |
| Streets | - | 1,150,659 | - | - | - | 1,150,659 |
| Capital improvements | - | - | - | 9,340,601 | - | 9,340,601 |
| Special events | - | - | - | - | 21,365 | 21,365 |
| Police Department programs | - | - | - | - | 7,078 | 7,078 |
| Employee programs | - | - | - | - | 2,272 | 2,272 |
| Park improvements | - | - | - | - | 2,232 | 2,232 |
| Police Explorers program | - | - | - | - | 1,980 | 1,980 |
| Recreation programs | - | - | - | - | 1 | 1 |
| Unassigned | 18,354,731 | - | - | - | (5,109) | 18,349,622 |
| Totals | \$26,014,036 | \$1,582,818 | \$6,765,560 | \$9,340,601 | \$3,727,547 | \$47,430,562 |

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, 2021**

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 cities and towns 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 cities and towns 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, 2021, the City reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

| Statement of net position and statement of activities | Governmental activities | Business-type activities | Total |
|--|------------------------------------|-------------------------------------|--------------|
| Net pension and OPEB asset | \$ 110,984 | \$ 5,678 | \$ 116,662 |
| Net pension and OPEB liability | 15,166,270 | 1,369,593 | 16,535,863 |
| Deferred outflows of resources related to pensions and OPEB | 3,972,991 | 274,438 | 4,247,429 |
| Deferred inflows of resources related to pensions and OPEB | 282,981 | 18,086 | 301,067 |
| Pension and OPEB expense | 2,001,312 | 359,197 | 2,360,509 |

The City's accrued payroll and employee benefits includes \$48,688 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2021. Also, the City reported \$1,365,738 of pension and OPEB contributions as expenditures in the governmental funds and \$121,171 of pension and OPEB contributions as expenses in the enterprise fund and \$54,509 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.

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:

**CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

14. Retirement Plans (Continued)

A. Arizona State Retirement System (Continued)

| | Retirement initial membership date: | |
|--|---|---|
| | Before July 1, 2011 | On or After July 1, 2011 |
| Years of service and age required to receive benefit | Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65 | 30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65 |
| Final average salary is based on | Highest 36 consecutive months of last 120 months | Highest 60 consecutive months of last 120 months |
| Benefit 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.

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, 2021, statute required active ASRS members to contribute at the actuarially determined rate of 12.22 percent (12.04 percent for retirement and 0.18 percent for long-term disability) of the members' annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 12.22 percent (11.65 percent for retirement, 0.39 percent for health insurance premium benefit, and 0.18 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 10.21 percent (10.14 percent for retirement 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, 2021, were \$771,906, \$33,034, and \$11,460, respectively.

During fiscal year 2021, the City paid for ASRS pension and OPEB contributions as follows: 78.3 percent from the General Fund, 14.4 percent from major funds, and 7.3 percent from other funds.

Liability - At June 30, 2021, the City reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

14. Retirement Plans (Continued)

A. Arizona State Retirement System (Continued)

| | Net pension/ OPEB (asset) liability |
|----------------------------------|---|
| Pension | \$10,692,196 |
| Health insurance premium benefit | (44,526) |
| Long-term disability | 47,307 |

The net asset and net liabilities were measured as of June 30, 2020. 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, 2019, to the measurement date of June 30, 2020. 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, 2020. The City's proportions measured as of June 30, 2020, and the change from its proportions measured as of June 30, 2019, were:

| | Proportion June 30, 2020 | Increase (decrease) from June 30, 2019 |
|----------------------------------|-----------------------------|---|
| Pension | 0.06171% | 0.00104% |
| Health insurance premium benefit | 0.06289% | 0.00135% |
| Long-term disability | 0.06236% | 0.00118% |

Expense – For the year ended June 30, 2021, the City recognized the following pension and OPEB expense.

| | Pension/ OPEB expense |
|----------------------------------|-----------------------------|
| Pension | \$1,182,680 |
| Health insurance premium benefit | 11,600 |
| Long-term disability | 14,965 |

Deferred outflows/inflows of resources – At June 30, 2021, 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 |
| Differences between expected and actual experience | \$ 96,729 | \$ - | \$ - | \$87,735 | \$ 4,117 | \$1,218 |
| Changes of assumptions or other inputs | - | - | 24,685 | - | 5,097 | - |
| Net difference between projected and actual earnings on plan investments | 1,031,275 | - | 45,558 | - | 5,208 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 101,879 | 52,394 | 95 | 217 | 1,356 | 254 |
| City contributions subsequent to the measurement date | 771,906 | - | 33,034 | - | 11,460 | - |
| Totals | \$2,001,789 | \$52,394 | \$103,372 | \$87,952 | \$27,238 | \$1,472 |

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

14. Retirement Plans (Continued)

A. Arizona State Retirement System (Continued)

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, 2022. 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 |
|---------------------|-----------|----------------------------------|----------------------|
| 2022 | \$121,012 | \$(9,479) | \$2,360 |
| 2023 | 364,486 | 160 | 3,205 |
| 2024 | 373,023 | 2,252 | 3,360 |
| 2025 | 318,968 | (2,476) | 3,038 |
| 2026 | - | (8,071) | 1,689 |
| Thereafter | - | - | 654 |

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

| | |
|-----------------------------|---|
| Actuarial valuation date | June 30, 2019 |
| Actuarial roll forward date | June 30, 2020 |
| 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, 2019 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 | Target allocation | Long-term expected geometric real rate of return |
|--|-------------------|--|
| Equity | 50% | 6.39% |
| Fixed income – credit | 20% | 5.44% |
| Fixed income – interest rate sensitive | 10% | 0.22% |
| Real estate | 20% | 5.85% |
| Total | <u>100%</u> | |

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

14. Retirement Plans (Continued)

A. Arizona State Retirement System (Continued)

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.

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 | 1% Decrease (6.5%) | Current discount rate (7.5%) | 1% Increase (8.5%) |
|---|-----------------------|---------------------------------|-----------------------|
| Net pension liability | \$14,621,432 | \$10,692,196 | \$7,407,555 |
| Net insurance premium benefit liability (asset) | 58,423 | (44,526) | (132,139) |
| Net long-term disability liability | 51,651 | 47,307 | 43,090 |

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.

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:

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

14. Retirement Plans (Continued)

B. Public Safety Personnel Retirement System (Continued)

| | 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 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% or normal retirement, whichever is greater | |
| Catastrophic disability retirement | 90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater | |
| Ordinary disability retirement | Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20 | |
| Survivor benefit | | |
| Retired members | 80% to 100% of retired member's pension benefit | |
| Active members | 80% to 100% of accidental disability retirement benefit, or 100% of average monthly compensation if death was the result of injuries received on the job | |

Retirement and survivor benefits are subject to automatic cost-of-living adjustments 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.

Employees covered by benefit terms – At June 30, 2020, the following employees were covered by the agent plans' benefit terms:

| | <u>Pension</u> | <u>Health</u> |
|--|----------------|---------------|
| Inactive employees or beneficiaries currently receiving benefits | 13 | 13 |
| Inactive employees entitled to but not yet receiving benefits | 7 | 1 |
| Active employees | 20 | 20 |
| Total | 40 | 34 |

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

14. Retirement Plans (Continued)

B. Public Safety Personnel Retirement System (Continued)

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, 2021, are indicated below. Rates are a percentage of active members’ annual covered payroll.

| Active member - pension | City – pension | City – health insurance premium benefit |
|----------------------------|----------------|---|
| 7.65%-11.65% | 38.85% | 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 |
|---------|-------------------------------------|
| 24.74% | 0.00% |

The City’s contributions to the plans for the year ended June 30, 2021, were:

| Pension | Health insurance premium benefit |
|-----------|-------------------------------------|
| \$687,646 | \$ - |

During fiscal year 2021, the City paid for PSPRS pension and OPEB contributions as follows: 99.6% from the General Fund and 0.4% from the Grants and Donations Fund, a nonmajor governmental fund.

Liability – At June 30, 2021, the City reported the following assets and liabilities.

| Net pension (asset) liability | Net OPEB (asset) liability |
|-------------------------------------|----------------------------------|
| \$5,796,360 | \$(72,136) |

The net assets and net liabilities were measured as of June 30, 2020, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

During the fiscal year 2021 budget process, management recommended suspending the additional contribution with a plan to reevaluate reinstating the additional contribution in fiscal year 2022 due to concerns about financial impacts of the COVID-19 pandemic. Prior to the pandemic, the City was paying down the unfunded liability using a level-payment approach resulting in annual payments of approximately \$1 million over the remaining unfunded liability amortization period.

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

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

14. Retirement Plans (Continued)

B. Public Safety Personnel Retirement System (Continued)

| | |
|----------------------------|---|
| Actuarial valuation date | June 30, 2020 |
| 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, loaded 110% for males and females |
| Healthcare cost trend rate | Not applicable |

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

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:

| Asset class | Target Allocation | Long-term expected geometric real rate of return |
|-------------------------------------|----------------------|--|
| U.S. public equity | 23% | 4.93% |
| International public equity | 15% | 6.09% |
| Global private equity | 18% | 8.42% |
| Other assets (capital appreciation) | 7% | 5.61% |
| Core bonds | 2% | 0.22% |
| Private credit | 22% | 5.31% |
| Diversifying strategies | 12% | 3.22% |
| Cash – Mellon | 1% | (0.60)% |
| Total | <u>100%</u> | |

Discount rate - At June 30, 2020, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent. 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, 2021

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 | Plan fiduciary net position | Net pension (asset) liability | Total OPEB liability | Plan fiduciary net position | Net OPEB (asset) liability |
| | (a) | (b) | (a) - (b) | (a) | (b) | (a) - (b) |
| Balances at June 30, 2020 | \$13,692,510 | \$8,431,110 | \$5,261,400 | \$180,825 | \$315,699 | \$(134,874) |
| Changes for the year | | | | | | |
| Service cost | 341,549 | - | 341,549 | 8,094 | - | 8,094 |
| Interest on the total liability | 1,001,517 | - | 1,001,517 | 13,328 | - | 13,328 |
| Differences between expected and actual experience in the measurement of the liability | 313,044 | - | 313,044 | 44,920 | - | 44,920 |
| Changes of assumptions or other inputs | - | - | - | - | - | - |
| Contributions – employer | - | 875,434 | (875,434) | - | - | - |
| Contributions – employee | - | 137,348 | (137,348) | - | - | - |
| Net investment income | - | 117,990 | (117,990) | - | 3,923 | (3,923) |
| Benefit payments, including refunds of employee contributions | (629,300) | (629,300) | - | (17,628) | (17,628) | - |
| Administrative expense | - | (9,622) | 9,622 | - | (319) | 319 |
| Net changes | 1,026,810 | 491,850 | 534,960 | 48,714 | (14,024) | 62,738 |
| Balances at June 30, 2021 | \$14,719,320 | \$8,431,110 | \$5,796,360 | \$229,539 | \$301,675 | \$(72,136) |

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:

| | 1% Decrease (6.3%) | Current discount rate (7.3%) | 1% Increase (8.3%) |
|-------------------------------|-----------------------|------------------------------------|-----------------------|
| Net pension (asset) liability | \$7,903,768 | \$5,796,360 | \$4,088,723 |
| Net OPEB (asset) liability | (43,218) | (72,136) | (96,188) |

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, 2021, the City recognized the following pension and OPEB expense:

| Pension expense | OPEB expense |
|-----------------|--------------|
| \$1,112,031 | \$3,261 |

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

14. Retirement Plans (Continued)

B. Public Safety Personnel Retirement System (Continued)

Deferred outflows/inflows of resources - At June 30, 2021, 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 |
| Differences between expected and actual experience | \$ 536,326 | \$132,854 | \$39,078 | \$21,514 |
| Changes of assumptions or other inputs | 411,078 | - | 1,340 | 4,881 |
| Net difference between projected and actual earnings on plan investments | 423,010 | - | 16,552 | - |
| City contributions subsequent to the measurement date | 687,646 | - | - | - |
| Totals | \$2,058,060 | \$132,854 | \$56,970 | \$26,395 |

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, 2022. 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 |
|---------------------|-----------|---------|
| 2022 | \$313,639 | \$3,916 |
| 2023 | 328,443 | 6,169 |
| 2024 | 304,736 | 6,705 |
| 2025 | 290,742 | 8,793 |
| 2026 | - | 4,992 |

PSPDCRP plan – City police employees who are not members of PSPRS participate in the PSPDCRP. 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, 2021, 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, 2021, the City recognized pension expense of \$37,372.

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.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

15. Contingent Liabilities (Continued)

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 as other financing sources and offsetting expenditures. This activity is not included in the City’s adopted budget approved by Council.

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

| | Total Expenditures | Other Financing Sources (Uses) |
|--|-----------------------|---|
| Statement of Revenues, Expenditures, and Changes in Fund Balances | \$20,469,855 | \$(7,132,925) |
| Capital lease proceeds and expenditures included in Statement of Revenues, Expenditures, and Changes in Fund Balances | (735,350) | (735,350) |
| Budgetary Comparison Schedule – General Fund | \$19,734,505 | \$(7,868,275) |

17. Subsequent Events

In July 2021, the City received its first half of American Rescue Plan Act (ARPA) funding of \$1,726,510. Plans have not yet been finalized regarding the use of these monies.

In July 2021, the City Council approved a development agreement with Sunset Lofts, LLC for the development of a multi-family workforce apartment complex. In exchange for a City contribution not to exceed \$4.2 million, the project will include a minimum of 46 housing units made up of approximately twenty 1-bedroom and twenty-six 2-bedroom units, all deed restricted to limit rent and utility costs. The term of the development agreement is 50 years and the rent controls are required to be in place for the entirety of the 50 years which is consistent with the useful life of the project. All rental amounts will be below current market rents in Sedona. In addition to the affordability requirements, priority for potential tenants will be given to persons working full-time within the City of Sedona. The City contribution will be made in the form of a loan. Sunset Lofts, LLC will pay the City up to 1% of the outstanding principal loan amount annually (which payment will cumulate year to year in the event there is not sufficient cash flow in any given year) and the City will share in the annual net revenue of the project, which will be reinvested into the City’s affordable housing program. The loan is payable in full in 50 years.

In August 2021, the City issued bonds to refund the full amounts of the Excise Tax Revenue Refunding Bonds, Series 2012, of \$8,395,000. The bonds to be refunded have a coupon rate of 4.5% and are callable on July 1, 2022 at par or 100%. Federal tax law does not currently allow tax-exempt refundings more than 90 days before a call date. A convertible or “cinderella” refunding was issued with a taxable interest rate up until 90 days before the call date and then converts to a tax-exempt interest rate for the life of the debt. The tax-exempt and taxable rates are 1.16% and 1.41%, respectively, and the net total savings is \$731,605.

CITY OF SEDONA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

17. Subsequent Events (Continued)

Effective August 2021, the City entered into a lease agreement with the Sedona-Oak Creek Unified School District for the property that formerly served as the site for the District's administration functions. Under the terms of the lease, the City will pay the school district monthly installments of \$12,750 for the first year and \$13,500 monthly for the second and third year. In the fourth year, the lease will be adjusted based on the Consumer Price Index escalation. The contract with the School District allows the City to have the first option to purchase the property after eight years of the lease. The City would receive \$2,000 a month in credit from the lease towards purchase of the property.

In October 2021, the City entered into a lease purchase agreement for \$126,794 for the replacement of two Police Department vehicles. The lease purchase agreement has a 5-year term with annual payments of \$26,698 beginning November 2022.

In November 2021, the City entered into a construction contract for \$873,336 for the completion of the State Route 179 sewer main replacement project and upsizing additional sewer line to add needed capacity. The City also entered into a construction contract for \$1,990,000 for the remodel and expansion of the Police Department facility.

In November 2021, the City Council approved removing the 10-year sunset from the half-cent sales tax dedicated to transportation projects and related administrative and operational costs. The tax was in effect for 10 years, expiring February 29, 2028. The intent is to use the tax primarily for the implementation and operation of the new transit system after the original sunset date.

In November 2021, the City Council approved a 5-year service agreement with MV Transportation, Inc. for the provision of a trailhead shuttle service and a micro-transit service. The agreement includes options to extend for up to two 2-year periods. The agreement will go into effect on March 1, 2022 and is estimated at a cost of \$6.7 million over the initial 5-year term.

In November 2021, the City Council approved a 3-year professional services contract with Housing Solutions of Northern Arizona, Inc. for \$60,000 annually to provide homeownership education and counseling and to administer two down-payment assistance programs, one for City of Sedona employees and the other for the broader Sedona workforce. The down-payment assistance programs offer up to \$25,000 per household and include eligibility requirements such as employment in city limits and first-time homebuyer within the Sedona-area. Repayment is based on an equity-share formula to reinvestment in future down-payment assistance funding. The fiscal year 2022 budget includes a \$400,000 for an initial investment in the down-payment assistance program.

In December 2021, the City entered into a taxable lease purchase agreement for \$710,125 for the purchase of five trailhead shuttle vehicles. The lease purchase agreement has a 5-year term with annual payments of approximately \$150,000 each year beginning December 2022. The City also entered into a taxable lease purchase agreement for \$322,665 for the purchase of three micro-transit vans. The lease purchase agreement has a 6-year term with semi-annual payments of approximately \$56,000 annually beginning February 2022.

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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) | | | | | | | |
|--|---|-------------|-------------|-------------|-------------|-------------|-------------|------------------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 through |
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2012 |
| ASRS – Pension | | | | | | | | |
| City's proportion of the net pension liability | 0.061710% | 0.060670% | 0.061800% | 0.058470% | 0.054700% | 0.051940% | 0.050427% | Information not available |
| City's proportionate share of the net pension liability | \$10,692,196 | \$8,828,191 | \$8,618,925 | \$9,108,486 | \$8,829,130 | \$8,090,772 | \$7,461,507 | |
| 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 proportionate share of the net pension liability as a percentage of its covered payroll | 156.98% | 139.05% | 141.68% | 160.52% | 170.44% | 165.15% | 160.17% | |
| Plan fiduciary net position as a percentage of the total pension liability | 69.33% | 73.24% | 73.40% | 69.92% | 67.06% | 68.35% | 69.49% | |

| | Reporting fiscal year (measurement date) | | | | |
|---|---|-------------|-------------|-------------|------------------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 through |
| | (2020) | (2019) | (2018) | (2017) | 2012 |
| ASRS – Health insurance premium benefit | | | | | |
| City's proportion of the net OPEB liability (asset) | 0.062890% | 0.061540% | 0.062440% | 0.058890% | Information not available |
| City's proportionate share of the net OPEB liability (asset) | \$(44,526) | \$(17,008) | \$(22,484) | \$(32,060) | |
| City's covered payroll | \$6,811,200 | \$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 | (0.65)% | (0.27)% | (0.37)% | (0.57)% | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 104.33% | 101.62% | 102.20% | 103.57% | |

| | Reporting fiscal year (measurement date) | | | | |
|---|---|-------------|-------------|-------------|------------------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 through |
| | (2020) | (2019) | (2018) | (2017) | 2012 |
| ASRS – Long-term Disability | | | | | |
| City's proportion of the net OPEB liability | 0.062360% | 0.06118% | 0.06191% | 0.05851% | Information not available |
| City's proportionate share of the net OPEB liability | \$47,307 | \$39,855 | \$32,348 | \$21,209 | |
| City's covered payroll | \$6,811,200 | \$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 | 0.69% | 0.63% | 0.53% | 0.37% | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 68.01% | 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) | | | | | | | |
|--|---|---------------------|---------------------|---------------------|---------------------|--------------------|--------------------|------------------------------|
| | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) | 2014 through 2012 |
| PSPRS Police | | | | | | | | |
| Total pension liability | | | | | | | | |
| Service cost | \$ 341,549 | \$ 370,528 | \$ 356,017 | \$418,975 | \$ 292,709 | \$ 299,781 | \$226,906 | Information not available |
| Interest on the total pension liability | 1,001,517 | 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 | 313,044 | 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 | (629,300) | (645,490) | (493,585) | (482,678) | (465,793) | (387,285) | (564,587) | |
| Net change in total pension liability | 1,026,810 | 1,394,103 | 498,175 | 1,116,727 | 1,543,298 | 293,958 | 993,350 | |
| Total pension liability - beginning | 13,692,510 | 12,298,407 | 11,800,232 | 10,683,505 | 9,140,207 | 8,846,249 | 7,852,899 | |
| Total pension liability - ending (a) | <u>\$14,719,320</u> | <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 | \$ 875,434 | \$ 894,934 | \$ 879,735 | \$ 444,238 | \$ 483,472 | \$ 396,718 | \$287,018 | |
| Contributions - employee | 137,348 | 148,600 | 204,147 | 178,624 | 182,485 | 185,850 | 158,370 | |
| Net investment income | 117,990 | 455,645 | 510,813 | 722,712 | 35,088 | 193,322 | 647,862 | |
| Benefit payments, including refunds of employee contributions | (629,300) | (645,490) | (493,585) | (482,678) | (465,793) | (387,285) | (564,587) | |
| Administrative expense | (9,622) | (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 | 491,850 | 844,772 | 945,815 | 838,845 | 238,587 | 388,303 | 286,696 | |
| Plan fiduciary net position - beginning | 8,431,110 | 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>\$8,922,960</u> | <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>\$5,796,360</u> | <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 | 60.62% | 61.57% | 61.69% | 56.27% | 54.31% | 60.86% | 58.50% | |
| 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 net pension liability as a percentage of covered payroll | 305.57% | 311.54% | 259.38% | 318.34% | 264.08% | 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) | | | | |
|---|---|--------------------|--------------------|--------------------|------------------------------|
| | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 through 2012 |
| PSPRS Health Insurance Premium Benefit | | | | | |
| Total OPEB Liability | | | | | |
| Service cost | \$ 8,094 | \$ 6,453 | \$ 6,095 | \$ 6,791 | Information not available |
| Interest on the total OPEB liability | 13,328 | 13,924 | 12,499 | 13,717 | |
| Changes of benefit terms | - | - | - | 419 | |
| Differences between expected and actual experience in the measurement of the OPEB liability | 44,920 | (19,338) | 3,179 | (18,591) | |
| Changes of assumptions or other inputs | - | 1,877 | - | (11,785) | |
| Benefit payments | (17,628) | (7,596) | (4,244) | (4,140) | |
| Net change in total OPEB liability | 48,714 | (4,680) | 17,529 | (13,589) | |
| Total OPEB liability - beginning | 180,825 | 185,505 | 167,976 | 181,565 | |
| Total OPEB liability - ending (a) | <u>\$229,539</u> | <u>\$180,825</u> | <u>\$185,505</u> | <u>\$167,976</u> | |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ - | \$ - | \$ - | \$ 30,977 | |
| Net investment income | 3,923 | 16,488 | 20,233 | (4,140) | |
| Benefit payments | (17,628) | (7,596) | (4,244) | (274) | |
| Administrative expense | (319) | (285) | (308) | - | |
| Other changes | - | - | 1 | - | |
| Net change in plan fiduciary net position | (14,024) | 8,607 | 15,682 | 26,563 | |
| Plan fiduciary net position - beginning | \$315,699 | \$307,092 | \$291,410 | \$264,847 | |
| Plan fiduciary net position - ending (b) | <u>\$301,675</u> | <u>\$315,699</u> | <u>\$307,092</u> | <u>\$291,410</u> | |
| City's net OPEB (asset) liability - ending (a) - (b) | <u>\$(72,136)</u> | <u>\$(134,874)</u> | <u>\$(121,587)</u> | <u>\$(123,434)</u> | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 131.43% | 174.59% | 165.54% | 173.00% | |
| Covered payroll | \$1,896,886 | \$1,688,863 | \$1,816,663 | \$1,620,810 | |
| City's net OPEB (asset) liability as a percentage of covered payroll | (3.80)% | (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 2012 |
|---|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | |
| ASRS – Pension | | | | | | | | | |
| Statutorily required contribution | \$771,906 | \$747,790 | \$715,706 | \$664,293 | \$612,991 | \$570,333 | \$520,998 | \$509,997 | Information not available |
| City's contributions in relation to the statutorily required contribution | 771,906 | 747,790 | 715,706 | 664,293 | 612,991 | 570,333 | 520,998 | 509,997 | |
| City's contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| City's covered payroll | \$6,770,609 | \$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 | 11.40% | 10.98% | 11.27% | 10.92% | 10.80% | 11.01% | 10.63% | 10.95% | |

| | Reporting Fiscal Year | | | | | 2016 through 2012 |
|---|-----------------------|-------------|-------------|-------------|-------------|------------------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | |
| ASRS – Health insurance premium benefit | | | | | | |
| Statutorily required contribution | \$33,034 | \$30,414 | \$29,448 | \$26,816 | \$31,844 | Information not available |
| City's contributions in relation to the statutorily required contribution | 33,034 | 30,414 | 29,448 | 26,816 | 31,844 | |
| City's contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | |
| City's covered payroll | \$6,770,609 | \$6,811,200 | \$6,348,867 | \$6,083,565 | \$5,674,189 | |
| City's contributions as a percentage of covered payroll | 0.49% | 0.45% | 0.46% | 0.44% | 0.56% | |

| | Reporting Fiscal Year | | | | | 2016 through 2012 |
|---|-----------------------|-------------|-------------|-------------|-------------|------------------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | |
| ASRS – Long-term disability | | | | | | |
| Statutorily required contribution | \$11,460 | \$11,240 | \$10,243 | \$9,751 | \$7,961 | Information not available |
| City's contributions in relation to the statutorily required contribution | 11,460 | 11,240 | 10,243 | 9,751 | 7,961 | |
| City's contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | |
| City's covered payroll | \$6,770,609 | \$6,811,200 | \$6,348,867 | \$6,083,565 | \$5,674,189 | |
| City's contributions as a percentage of covered payroll | 0.17% | 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 2012 |
|---|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | |
| PSPRS Police | | | | | | | | | |
| Actuarially determined contribution | \$687,646 | \$ 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 | 687,646 | 967,916 | 994,591 | 659,507 | 504,595 | 431,873 | 293,040 | 287,018 | |
| City's contribution deficiency (excess) | \$ - | \$(456,046) | \$(357,639) | \$(51,523) | \$(73,400) | \$ - | \$ - | \$ - | |
| City's covered payroll | \$2,204,518 | \$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 | 31.19% | 51.03% | 58.89% | 36.30% | 31.13% | 21.77% | 15.57% | 17.38% | |

| | Reporting Fiscal Year | | | | | 2016 through 2012 |
|---|-----------------------|-------------|-------------|-------------|-------------|------------------------------|
| | 2021 | 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 | - | - | - | - | - | |
| City's contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | |
| City's covered payroll | \$2,204,518 | \$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, 2021**

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 2019 actuarial valuation | 17 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 FUNDS
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 specific use.

CAPITAL PROJECTS FUNDS

Sedona Summit II Community Facilities District Fund – To account for the operations of the Sedona 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 project 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 necessitate 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.

NONMAJOR ENTERPRISE FUND

Public Transit Fund – To account for the activities of the City's public transit system funded by monies collected through fares, grants, and transfers of restricted transportation sales tax revenue and supports the operations of the transit system and transit capital projects.

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**CITY OF SEDONA, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR FUNDS
JUNE 30, 2021**

| | Special Revenue Fund | Capital Projects Funds | | | | Total Nonmajor Governmental Funds |
|--|-------------------------|--|--|-------------------------|----------------------------|--|
| | Grants & Donations | Sedona Summit II Community Facilities District | Fairfield Community Facilities District | Art in Public Places | Development Impact Fees | |
| Assets | | | | | | |
| Cash and investments | \$ 109,441 | \$ 384,159 | \$ 85,860 | \$ 174,286 | \$ 2,988,310 | \$ 3,742,056 |
| Receivables, net of allowance for uncollectibles | | | | | | |
| Accounts, net | - | 579 | 30,037 | - | - | 30,616 |
| Accrued interest | 78 | 311 | 69 | 141 | 2,460 | 3,059 |
| Due from other government units | 2,301 | - | - | - | - | 2,301 |
| Total assets | <u>\$ 111,820</u> | <u>\$ 385,049</u> | <u>\$ 115,966</u> | <u>\$ 174,427</u> | <u>\$ 2,990,770</u> | <u>\$ 3,778,032</u> |
| Liabilities | | | | | | |
| Accrued wages and benefits | \$ 150 | \$ - | \$ - | \$ - | \$ - | \$ 150 |
| Unearned revenue | 20,298 | - | - | - | - | 20,298 |
| Total liabilities | <u>20,448</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>20,448</u> |
| Deferred Inflows of Resources | | | | | | |
| Deferred inflows - unavailable revenue | - | - | 30,037 | - | - | 30,037 |
| Fund Balances (Deficits) | | | | | | |
| Restricted | 34,719 | 385,049 | 85,929 | 6,584 | 2,995,879 | 3,508,160 |
| Committed | 21,725 | - | - | 167,843 | - | 189,568 |
| Assigned | 34,928 | - | - | - | - | 34,928 |
| Unassigned | - | - | - | - | (5,109) | (5,109) |
| Total fund balances (deficits) | <u>91,372</u> | <u>385,049</u> | <u>85,929</u> | <u>174,427</u> | <u>2,990,770</u> | <u>3,727,547</u> |
| Total liabilities and fund balances (deficits) | <u>\$ 111,820</u> | <u>\$ 385,049</u> | <u>\$ 115,966</u> | <u>\$ 174,427</u> | <u>\$ 2,990,770</u> | <u>\$ 3,778,032</u> |

CITY OF SEDONA, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

| | Special | Capital Projects Funds | | | | Total Nonmajor Governmental Funds |
|---|-----------------------|--|--|-------------------------|----------------------------|--|
| | Revenue Fund | Sedona Summit II Community Facilities District | Fairfield Community Facilities District | Art in Public Places | Development Impact Fees | |
| | Grants & Donations | | | | | |
| Revenues | | | | | | |
| In-lieu taxes | \$ - | \$ 42,924 | \$ 91,363 | \$ - | \$ - | \$ 134,287 |
| Intergovernmental | 75,088 | - | - | - | - | 75,088 |
| Charges for services | 790 | - | - | - | - | 790 |
| Contributions | 8,508 | - | - | - | - | 8,508 |
| Impact fees | - | - | - | - | 659,553 | 659,553 |
| Investment earnings | 463 | 1,519 | 749 | 740 | 14,190 | 17,661 |
| Total revenues | <u>84,849</u> | <u>44,443</u> | <u>92,112</u> | <u>740</u> | <u>673,743</u> | <u>895,887</u> |
| Expenditures | | | | | | |
| Current | | | | | | |
| Public safety | 52,571 | - | - | - | - | 52,571 |
| Culture and recreation | 3,805 | - | - | - | - | 3,805 |
| Housing | 5,262 | - | - | - | - | 5,262 |
| Capital outlay | 25,000 | 50,000 | 126,000 | - | 406,471 | 607,471 |
| Total expenditures | <u>86,638</u> | <u>50,000</u> | <u>126,000</u> | <u>-</u> | <u>406,471</u> | <u>669,109</u> |
| Excess (deficiency) of revenues over expenditures | (1,789) | (5,557) | (33,888) | 740 | 267,272 | 226,778 |
| Other Financing Sources | | | | | | |
| Transfers in | - | - | - | 21,082 | - | 21,082 |
| Net change in fund balances | (1,789) | (5,557) | (33,888) | 21,822 | 267,272 | 247,860 |
| Fund balances - beginning 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> |
| Fund balances - end of year | <u>\$ 91,372</u> | <u>\$ 385,049</u> | <u>\$ 85,929</u> | <u>\$ 174,427</u> | <u>\$ 2,990,770</u> | <u>\$ 3,727,547</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, 2021

| | Budget | | Actual | Variance with Final Budget |
|---|----------------------------|----------------------------|----------------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ 953,454 | \$ 953,454 | \$ 297,072 | \$ (656,382) |
| Contributions | 67,000 | 67,000 | 50,000 | (17,000) |
| Investment earnings | 214,000 | 214,000 | 52,544 | (161,456) |
| Total revenues | <u>1,234,454</u> | <u>1,234,454</u> | <u>399,616</u> | <u>(834,838)</u> |
| Expenditures | | | | |
| Capital outlay | <u>12,041,787</u> | <u>11,328,382</u> | <u>9,133,692</u> | <u>2,194,690</u> |
| Total expenditures | <u>12,041,787</u> | <u>11,328,382</u> | <u>9,133,692</u> | <u>2,194,690</u> |
| Excess (deficiency) of revenues over expenditures | <u>(10,807,333)</u> | <u>(10,093,928)</u> | <u>(8,734,076)</u> | <u>1,359,852</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 8,344,632 | 8,344,632 | 8,195,912 | (148,720) |
| Transfers out | <u>(38,108)</u> | <u>(38,108)</u> | <u>(21,082)</u> | <u>17,026</u> |
| Total other financing sources (uses) | <u>8,306,524</u> | <u>8,306,524</u> | <u>8,174,830</u> | <u>(131,694)</u> |
| Net change in fund balance | (2,500,809) | (1,787,404) | (559,246) | 1,228,158 |
| Fund balance - beginning of year | <u>9,671,279</u> | <u>9,671,279</u> | <u>9,899,847</u> | <u>228,568</u> |
| Fund balance - end of year | <u><u>\$ 7,170,470</u></u> | <u><u>\$ 7,883,875</u></u> | <u><u>\$ 9,340,601</u></u> | <u><u>\$ 1,456,726</u></u> |

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GRANTS & DONATIONS FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | Budget | | Actual | Variance with Final Budget |
|----------------------------------|-------------------|-------------------|------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ 740,900 | \$ 740,900 | \$ 75,088 | \$ (665,812) |
| Charges for services | 1,400 | 1,400 | 790 | (610) |
| Contributions | 27,950 | 27,950 | 8,508 | (19,442) |
| Investment earnings | 1,370 | 1,370 | 463 | (907) |
| Total revenues | <u>771,620</u> | <u>771,620</u> | <u>84,849</u> | <u>(686,771)</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 332,500 | 246,500 | - | 246,500 |
| Public safety | 50,200 | 75,200 | 52,571 | 22,629 |
| Culture and recreation | 17,500 | 17,500 | 3,805 | 13,695 |
| Housing | 346,700 | 346,700 | 5,262 | 341,438 |
| Capital outlay | 25,000 | 86,000 | 25,000 | 61,000 |
| Total expenditures | <u>771,900</u> | <u>771,900</u> | <u>86,638</u> | <u>685,262</u> |
| Net change in fund balance | (280) | (280) | (1,789) | (1,509) |
| Fund balance - beginning of year | <u>141,086</u> | <u>141,086</u> | <u>93,161</u> | <u>(47,925)</u> |
| Fund balance - end of year | <u>\$ 140,806</u> | <u>\$ 140,806</u> | <u>\$ 91,372</u> | <u>\$ (49,434)</u> |

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SEDONA SUMMIT II COMMUNITY FACILITIES DISTRICT FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Budget</u> | | |
|----------------------------------|---------------------|-------------------|----------------------|
| | <u>Original and</u> | | <u>Variance with</u> |
| | <u>Final</u> | <u>Actual</u> | <u>Final Budget</u> |
| Revenues | | | |
| In-lieu taxes | \$ 47,300 | \$ 42,924 | \$ (4,376) |
| Investment earnings | 3,730 | 1,519 | (2,211) |
| Total revenues | <u>51,030</u> | <u>44,443</u> | <u>(6,587)</u> |
| Expenditures | | | |
| Capital outlay | 50,000 | 50,000 | - |
| Total expenditures | <u>50,000</u> | <u>50,000</u> | <u>-</u> |
| Net change in fund balance | 1,030 | (5,557) | (6,587) |
| Fund balance - beginning of year | <u>383,661</u> | <u>390,606</u> | <u>6,945</u> |
| Fund balance - end of year | <u>\$ 384,691</u> | <u>\$ 385,049</u> | <u>\$ 358</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, 2021

| | <u>Budget</u> | | |
|----------------------------------|-------------------------|-------------------------|-------------------------------|
| | Original and Final | Actual | Variance with Final Budget |
| Revenues | | | |
| In-lieu taxes | \$ 122,400 | \$ 91,363 | \$ (31,037) |
| Investment earnings | 940 | 749 | (191) |
| Total revenues | <u>123,340</u> | <u>92,112</u> | <u>(31,228)</u> |
| Expenditures | | | |
| Capital outlay | 126,000 | 126,000 | - |
| Total expenditures | <u>126,000</u> | <u>126,000</u> | <u>-</u> |
| Net change in fund balance | (2,660) | (33,888) | (31,228) |
| Fund balance - beginning of year | <u>54,422</u> | <u>119,817</u> | <u>65,395</u> |
| Fund balance - end of year | <u><u>\$ 51,762</u></u> | <u><u>\$ 85,929</u></u> | <u><u>\$ 34,167</u></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, 2021

| | Budget | | Actual | Variance with Final Budget |
|---|------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Investment earnings | \$ 1,250 | \$ 1,250 | \$ 740 | \$ (510) |
| Total revenues | <u>1,250</u> | <u>1,250</u> | <u>740</u> | <u>(510)</u> |
| Expenditures | | | | |
| Capital outlay | 130,000 | - | - | - |
| Total expenditures | <u>130,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>(128,750)</u> | <u>1,250</u> | <u>740</u> | <u>(510)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | <u>38,108</u> | <u>38,108</u> | <u>21,082</u> | <u>(17,026)</u> |
| Net change in fund balance | (90,642) | 39,358 | 21,822 | (17,536) |
| Fund balance - beginning of year | <u>150,931</u> | <u>150,931</u> | <u>152,605</u> | <u>1,674</u> |
| Fund balance - end of year | <u>\$ 60,289</u> | <u>\$ 190,289</u> | <u>\$ 174,427</u> | <u>\$ (15,862)</u> |

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS
DEVELOPMENT IMPACT FEES FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Budget</u> | | |
|----------------------------------|----------------------------|----------------------------|----------------------------|
| | <u>Original and</u> | | <u>Variance with</u> |
| | <u>Final</u> | <u>Actual</u> | <u>Final Budget</u> |
| Revenues | | | |
| Impact fees | \$ 595,200 | \$ 659,553 | \$ 64,353 |
| Investment earnings | 37,540 | 14,190 | (23,350) |
| Total revenues | <u>632,740</u> | <u>673,743</u> | <u>41,003</u> |
| Expenditures | | | |
| Capital outlay | 1,404,417 | 406,471 | 997,946 |
| Total expenditures | <u>1,404,417</u> | <u>406,471</u> | <u>997,946</u> |
| Net change in fund balance | (771,677) | 267,272 | 1,038,949 |
| Fund balance - beginning of year | <u>2,541,957</u> | <u>2,723,498</u> | <u>181,541</u> |
| Fund balance - end of year | <u><u>\$ 1,770,280</u></u> | <u><u>\$ 2,990,770</u></u> | <u><u>\$ 1,220,490</u></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, 2021

| | Budget | | Actual | Variance with Final Budget |
|---|----------------------|----------------------|----------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Charges for services | \$ 6,176,500 | \$ 6,176,500 | \$ 5,991,385 | \$ (185,115) |
| Capacity fees | 1,593,100 | 1,593,100 | 1,425,829 | (167,271) |
| Investment earnings | 187,180 | 187,180 | 81,729 | (105,451) |
| Other | 62,900 | 62,900 | 52,271 | (10,629) |
| Total revenues | <u>8,019,680</u> | <u>8,019,680</u> | <u>7,551,214</u> | <u>(468,466)</u> |
| Expenditures | | | | |
| Salaries and employee benefits | 1,541,800 | 1,541,800 | 1,389,069 | 152,731 |
| Supplies and other | 2,851,205 | 2,840,686 | 2,309,831 | 530,855 |
| Capital outlay | 1,495,600 | 2,172,369 | 1,884,545 | 287,824 |
| Debt service | 4,726,775 | 4,726,775 | 4,699,862 | 26,913 |
| Contingency | 100,000 | 100,000 | - | 100,000 |
| Total expenditures | <u>10,715,380</u> | <u>11,381,630</u> | <u>10,283,307</u> | <u>1,098,323</u> |
| Excess (deficiency) of revenues over expenditures | <u>(2,695,700)</u> | <u>(3,361,950)</u> | <u>(2,732,093)</u> | <u>629,857</u> |
| Other Financing Sources | | | | |
| Transfers in | <u>3,400,000</u> | <u>3,400,000</u> | <u>3,400,000</u> | <u>-</u> |
| Net change in fund balance | 704,300 | 38,050 | 667,907 | 629,857 |
| Fund balance - beginning of year | <u>15,161,724</u> | <u>15,161,724</u> | <u>16,774,952</u> | <u>1,613,228</u> |
| Fund balance - end of year | <u>\$ 15,866,024</u> | <u>\$ 15,199,774</u> | <u>\$ 17,442,859</u> | <u>\$ 2,243,085</u> |

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

| | |
|---|----------------------|
| Net Position, end of year, budgetary basis: | \$ 17,442,859 |
| Adjustments to reconcile to net position: | |
| Adjustments from prior years | 78,668,600 |
| Depreciation | (3,831,720) |
| Capital outlay | 1,884,545 |
| Principal paid on long-term debt | 1,338,021 |
| Premium on long-term debt | 86,083 |
| Decrease in long-term interest payable | 2,177,162 |
| Increase in compensated absences | (25,233) |
| Increase in net pension/OPEB asset | 3,824 |
| Increase in deferred outflows | 78,905 |
| Increase in net pension liability | (402,756) |
| Decrease in deferred inflows | <u>58,874</u> |
| Net Position, end of year | <u>\$ 97,479,164</u> |

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS
PUBLIC TRANSIT ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | Budget | | Actual | Variance with Final Budget |
|---|-------------|---------------------|-----------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ - | \$ - | \$ 46,400 | \$ 46,400 |
| Total revenues | <u>-</u> | <u>-</u> | <u>46,400</u> | <u>46,400</u> |
| Expenditures | | | | |
| Salaries and employee benefits | - | 126,855 | 57,872 | 68,983 |
| Supplies and other | - | 11,000 | 8,722 | 2,278 |
| Total expenditures | <u>-</u> | <u>137,855</u> | <u>66,594</u> | <u>71,261</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>(137,855)</u> | <u>(20,194)</u> | <u>117,661</u> |
| Other Financing Sources | | | | |
| Transfers in | - | - | 20,194 | 20,194 |
| Net change in fund balance | - | (137,855) | - | 137,855 |
| Fund balance - beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance - end of year | <u>\$ -</u> | <u>\$ (137,855)</u> | <u>\$ -</u> | <u>\$ 137,855</u> |

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

| | |
|---|-----------------|
| Net Position, end of year, budgetary basis: | \$ - |
| Adjustments to reconcile to net position: | |
| Increase in deferred outflows | <u>5,139</u> |
| Net Position, end of year | <u>\$ 5,139</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, 2021

| | Budget | | Actual | Variance with Final Budget |
|---|-------------------|-------------------|-------------------|----------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Charges for services | \$ 1,758,070 | \$ 1,758,070 | \$ 1,665,425 | \$ (92,645) |
| Investment earnings | 3,230 | 3,230 | 3,144 | (86) |
| Total revenues | <u>1,761,300</u> | <u>1,761,300</u> | <u>1,668,569</u> | <u>(92,731)</u> |
| Expenditures | | | | |
| Salaries and employee benefits | 613,750 | 613,750 | 620,584 | (6,834) |
| Supplies and other | 911,932 | 943,723 | 814,162 | 129,561 |
| Capital outlay | 82,750 | 117,951 | 44,096 | 73,855 |
| Total expenditures | <u>1,608,432</u> | <u>1,675,424</u> | <u>1,478,842</u> | <u>196,582</u> |
| Excess (deficiency) of revenues over expenditures | <u>152,868</u> | <u>85,876</u> | <u>189,727</u> | <u>103,851</u> |
| Other Financing Uses | | | | |
| Transfers in | - | - | 28,797 | 28,797 |
| Net change in fund balance | 152,868 | 85,876 | 218,524 | 132,648 |
| Fund balance - beginning of year | <u>650,226</u> | <u>650,226</u> | <u>696,772</u> | <u>46,546</u> |
| Fund balance - end of year | <u>\$ 803,094</u> | <u>\$ 736,102</u> | <u>\$ 915,296</u> | <u>\$ 179,194</u> |

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

| | |
|---|-------------------|
| Net Position, end of year, budgetary basis: | \$ 915,296 |
| Adjustments to reconcile to net position: | |
| Adjustments from prior years | (423,393) |
| Depreciation | (90,434) |
| Capital outlay | 44,096 |
| Increase in compensated absences | (9,787) |
| Increase in net pension asset | 1,655 |
| Increase in deferred outflows | 51,224 |
| Increase in net pension liability | (101,639) |
| Decrease in deferred inflows | <u>35,419</u> |
| Net Position, end of year | <u>\$ 422,437</u> |

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STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

These schedules contain information to help readers assess the City's most significant local revenue source, 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 | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2021 | 2020 | 2019 | (Restated) 2018 | (Restated) 2017 | (Restated) 2016 | (Restated) 2015 | (Restated) 2014 | (Restated) 2013 | (Restated) 2012 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 51,560,554 | \$ 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 |
| Restricted | 5,166,724 | 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 |
| Unrestricted | 35,289,161 | 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 |
| Total governmental activities net position | <u>\$ 92,016,439</u> | <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> |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 87,597,730 | \$ 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 |
| Restricted | 5,678 | 1,854 | 2,571 | 3,486 | - | - | - | - | - | - |
| Unrestricted | 9,924,934 | 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 |
| Total business-type activities net position | <u>\$ 97,528,342</u> | <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> |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 139,158,284 | \$ 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 |
| Restricted | 5,172,402 | 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 |
| Unrestricted | 45,214,095 | 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 |
| Total primary government net position | <u>\$ 189,544,781</u> | <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> |

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 | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2021 | 2020 | 2019 | (Restated) 2018 | (Restated) 2017 | (Restated) 2016 | (Restated) 2015 | (Restated) 2014 | (Restated) 2013 | (Restated) 2012 |
| Expenses | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General government | \$ 2,741,355 | \$ 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 |
| Public safety | 8,142,665 | 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 |
| Public works and streets | 5,862,395 | 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 |
| Community and economic development | - | - | - | - | - | - | 2,200,510 | 932,919 | 1,834,854 | - |
| Community services | - | - | - | - | - | - | - | 426,571 | 974,564 | 2,004,255 |
| Culture and recreation | 2,305,183 | 2,497,360 | 2,521,273 | 2,501,727 | 1,928,332 | 1,810,593 | 557,038 | - | - | - |
| Economic development | 2,970,824 | 2,618,729 | 2,424,664 | 2,355,663 | 2,261,269 | 1,336,234 | - | - | - | - |
| Health and welfare | 668,043 | 612,522 | 492,083 | 251,997 | - | - | - | - | - | - |
| Public transportation | 60,000 | 255,418 | 202,363 | 188,604 | - | - | - | - | - | - |
| Housing | 70,127 | 280,621 | - | - | - | - | - | - | - | - |
| Interest on long-term debt | 209,774 | 236,419 | 281,913 | 292,714 | 296,144 | 319,545 | 442,506 | 563,158 | 559,672 | 567,901 |
| Total governmental activities | <u>23,030,366</u> | <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> |
| Business-Type Activities: | | | | | | | | | | |
| Wastewater | 8,902,996 | 8,319,467 | 8,691,487 | 8,217,210 | 7,590,660 | 7,394,559 | 8,416,450 | 8,147,798 | 8,345,260 | 7,874,116 |
| Public transportation | 61,455 | - | - | - | - | - | - | - | - | - |
| Total business-type activities | <u>8,964,451</u> | <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> |
| Total primary government expenses | <u>\$ 31,994,817</u> | <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> |
| Program revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| General government | \$ 567,083 | \$ 686,472 | \$ 674,910 | \$ 824,299 | \$ 661,395 | \$ 674,762 | \$ 318,200 | \$ 89,021 | \$ 78,355 | \$ 289,510 |
| Public safety | 830,129 | 385,984 | 617,090 | 607,666 | 24,743 | 31,570 | 49,218 | 134,164 | 154,786 | 202,465 |
| Public works | 6,463 | 19,068 | 16,044 | 16,614 | 4,690 | 4,745 | 3,870 | 70,943 | 90,065 | 27,583 |
| Community and economic development | - | - | - | - | - | - | 402,483 | 381,803 | 22,270 | - |
| Community services | - | - | - | - | - | - | 95,716 | 57,697 | 68,367 | 64,714 |
| Culture and recreation | 80,354 | 80,158 | 138,768 | 131,359 | 121,295 | 104,217 | - | - | - | - |
| Public transportation | 35 | 460 | 855 | - | - | - | - | - | - | - |
| Operating grants and contributions | 1,237,623 | 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 |
| Capital grants and contributions | 1,372,942 | 1,588,597 | 1,546,883 | 1,037,264 | 1,924,413 | 1,177,321 | 1,640,791 | 758,272 | 779,462 | 688,239 |
| Total governmental activities program revenues | <u>4,094,629</u> | <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> |
| Business-Type Activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Wastewater | 6,027,344 | 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 |
| Operating grants and contributions | 46,400 | - | - | - | - | - | - | - | - | - |
| Capital grants and contributions | 1,425,829 | 1,074,988 | 573,380 | 523,013 | 1,167,388 | - | - | - | - | - |
| Total business-type activities program revenues | <u>7,499,573</u> | <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> |
| Total primary government program revenues | <u>\$ 11,594,202</u> | <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> |

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

| | Fiscal Year | | | | | | | | | |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2021 | 2020 | 2019 | (Restated) 2018 | (Restated) 2017 | (Restated) 2016 | (Restated) 2015 | (Restated) 2014 | (Restated) 2013 | (Restated) 2012 |
| (Concluded) | | | | | | | | | | |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities | \$ (18,935,737) | \$ (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) |
| Business-type activities | (1,464,878) | (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) |
| Total primary government net expense | <u>\$ (20,400,615)</u> | <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> |
| General Revenues and Transfers | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Sales taxes | \$ 35,035,221 | \$ 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 |
| Franchise taxes | 883,456 | 809,673 | 807,465 | 813,573 | 786,882 | 789,754 | 766,728 | 738,631 | 720,455 | 713,577 |
| In lieu taxes | 878,659 | 670,736 | 655,721 | 643,087 | 630,532 | 622,224 | 488,937 | 500,968 | 692,049 | 380,270 |
| Unrestricted state revenue sharing | 1,477,587 | 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 |
| Unrestricted state sales tax revenue sharing | 1,199,926 | 1,067,529 | 1,039,635 | 998,202 | 950,879 | 948,696 | 916,721 | 873,126 | 821,056 | 783,825 |
| Unrestricted auto lieu tax revenue sharing | 795,420 | 664,581 | 662,935 | 642,895 | 606,030 | 577,681 | 534,404 | 508,519 | 483,343 | 476,438 |
| Investment earnings | 193,365 | 815,918 | 1,003,210 | 99,315 | 159,363 | 307,030 | 210,386 | 255,995 | 127,098 | 215,593 |
| Proceeds from sale of capital assets | - | - | - | - | - | 11,806 | - | - | - | - |
| Other revenues | 244,604 | 194,965 | 87,431 | 70,639 | 107,960 | 78,629 | 22,863 | 164,187 | 64,367 | 37,116 |
| Transfers | (3,420,194) | (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>37,288,044</u> | <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> |
| Business-type activities | | | | | | | | | | |
| Sales taxes | - | - | - | - | - | - | 4,046,986 | 4,478,074 | 4,638,664 | 5,002,648 |
| Investment earnings | 81,729 | 435,820 | 620,971 | 100,891 | 78,287 | 179,734 | 73,193 | 126,548 | 111,930 | 208,284 |
| Other revenues | 16,312 | 13,128 | 18,207 | 391,650 | 13,116 | - | - | - | - | - |
| Transfers | 3,420,194 | 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>3,518,235</u> | <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> |
| Total primary government general revenues and transfers | <u>\$ 40,806,279</u> | <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> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | 18,352,307 | 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 |
| Business-type activities | 2,053,357 | 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 |
| Total primary government change in net position | <u>\$ 20,405,664</u> | <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> |

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 | | | | | | | | | |
|---|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| General Fund | | | | | | | | | | |
| Nonspendable | \$ 14,857 | \$ 29,826 | \$ 11,683 | \$ 15,604 | \$ 15,409 | \$ 86,203 | \$ - | \$ - | \$ - | \$ - |
| Restricted | 1,085,384 | 943,286 | 95,416 | 86,591 | 81,828 | 77,855 | 1,794,750 | - | - | - |
| Committed | 201,446 | 1,403,370 | 1,619,954 | 701,913 | 421,696 | 389,240 | - | 1,626,131 | - | - |
| Assigned | 6,357,618 | 1,232,035 | 2,195,394 | 2,032,174 | 2,018,050 | 1,585,000 | - | - | - | - |
| Unassigned | 18,354,731 | 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 |
| Total General Fund | \$26,014,036 | \$ 15,592,186 | \$ 13,376,519 | \$ 9,751,377 | \$ 11,028,522 | \$ 9,750,233 | \$ 13,244,209 | \$ 17,514,173 | \$ 14,295,777 | \$ 12,783,938 |
| All Other Governmental Funds | | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ 1,575 | \$ - | \$ 15,000 | \$ - | \$ - | \$ - | \$ - |
| Restricted | 3,940,319 | 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 |
| Committed | 6,955,128 | 7,095,543 | 4,180,816 | 1,147,912 | 11,268,308 | 9,692,916 | 5,367,842 | 66,607 | - | 4,464,502 |
| Assigned | 10,526,188 | 10,854,394 | 14,432,612 | 15,334,100 | 750,137 | 525,863 | 26,199 | - | - | - |
| Unassigned | (5,109) | (1,447) | (39,141) | (31,246) | (54,281) | (36,684) | (19,373) | - | - | - |
| Total All Other Governmental Funds | \$21,416,526 | \$ 21,577,369 | \$ 22,241,932 | \$ 19,705,168 | \$ 16,436,801 | \$ 16,518,333 | \$ 13,066,848 | \$ 6,836,886 | \$ 10,561,911 | \$ 13,480,089 |

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 | | | | | | | | | |
|--|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|-------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | (Restated) 2016 | (Restated) 2015 | 2014 | 2013 | 2012 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 36,502,865 | \$ 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 |
| Licenses and permits | 385,953 | 311,569 | 380,721 | 455,498 | 475,216 | 496,517 | 468,722 | 466,937 | 334,756 | 276,000 |
| Intergovernmental | 4,991,137 | 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 |
| Charges for services | 667,969 | 672,362 | 933,927 | 770,108 | 202,854 | 162,130 | 190,565 | 99,231 | 89,118 | 125,142 |
| Fines and forfeitures | 386,317 | 196,524 | 227,761 | 249,893 | 140,840 | 147,984 | 172,694 | 134,164 | 154,786 | 202,465 |
| Contributions | 257,508 | 75,029 | 724,645 | 290,500 | 86,376 | 230,296 | 23,711 | - | 51,945 | 39,342 |
| Impact fees | 659,553 | 478,597 | 292,546 | 207,076 | 618,741 | 231,772 | 216,039 | 450,798 | 278,480 | 297,107 |
| Investment earnings | 190,188 | 803,048 | 995,455 | 99,675 | 159,363 | 307,030 | 238,592 | 303,098 | 139,854 | 284,730 |
| Other revenues | 237,059 | 167,679 | 102,221 | 75,089 | 107,960 | 78,629 | 38,707 | 276,872 | 521,353 | 120,851 |
| Total revenues | 44,278,549 | 34,572,214 | 36,181,644 | 31,374,050 | 28,146,258 | 25,572,513 | 20,011,678 | 18,142,272 | 16,152,245 | 14,071,683 |
| Expenditures | | | | | | | | | | |
| Current | | | | | | | | | | |
| General government | 2,433,781 | 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 |
| Public safety | 7,343,573 | 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 |
| Public works and streets | 3,744,410 | 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 |
| Culture and recreation | 2,088,486 | 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 |
| Economic development | 2,969,238 | 2,611,622 | 2,426,505 | 2,368,755 | 2,261,269 | 1,336,234 | 550,762 | - | - | - |
| Health and welfare | 667,398 | 602,680 | 493,249 | 251,997 | - | - | - | - | - | - |
| Public transportation | 60,000 | 192,544 | 202,363 | 188,604 | - | - | - | - | - | - |
| Housing | 70,127 | 280,621 | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | | | |
| Principal retirement | 1,093,459 | 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 | 146,572 | 187,221 | 208,035 | 234,775 | 222,266 | 245,667 | 418,606 | 561,020 | 538,964 | 547,193 |
| Capital outlay | 10,728,902 | 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 |
| Total expenditures | 31,345,946 | 29,962,575 | 25,802,550 | 25,318,381 | 23,349,599 | 21,307,360 | 18,575,874 | 18,768,226 | 18,878,570 | 14,074,531 |
| Excess (deficiency) of revenue over expenditures | 12,932,603 | 4,609,639 | 10,377,665 | 6,055,669 | 4,796,659 | 4,265,153 | 1,435,804 | (625,954) | (2,726,325) | (2,848) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Transfers in | 8,489,834 | 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 |
| Transfers out | (11,938,825) | (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) |
| Issuance of long-term debt | 735,350 | 373,112 | 373,498 | 268,509 | 438,309 | 8,030,000 | - | 1,879,700 | - | - |
| Sale of capital assets | 42,045 | 42,873 | 9,024 | 18,182 | - | 11,806 | 22,863 | - | - | - |
| Payment to escrow agent | - | - | - | - | - | (7,934,739) | - | (1,845,000) | - | - |
| Total other financing sources (uses) | (2,671,596) | (3,058,535) | (4,217,187) | (4,064,447) | (3,599,902) | (4,390,483) | 111,098 | 118,326 | 63,842 | - |
| Net change in fund balances | \$ 10,261,007 | \$ 1,551,104 | \$ 6,161,906 | \$ 1,991,222 | \$ 1,196,757 | \$ (125,330) | \$ 1,546,902 | \$ (507,628) | \$ (2,662,483) | \$ (2,848) |
| Debt service as a percentage of non-capital expenditures | 5.96% | 6.35% | 7.79% | 8.14% | 4.39% | 4.73% | 5.08% | 6.29% | 6.21% | 7.24% |

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 2021 | | | Fiscal Year 2012 | | |
|--|----------------------|------|---------------------|----------------------|------|---------------------|
| | Tax Liability | Rank | Percentage of Total | Tax Liability | Rank | Percentage of Total |
| Hotels & Other Lodging | \$ 14,459,426 | 1 | 41.2% | \$ 3,583,876 | 2 | 28.6% |
| Retail Trade | 9,816,161 | 2 | 28.1% | 4,238,541 | 1 | 33.9% |
| Restaurants & Bars | 5,217,637 | 3 | 14.9% | 1,822,094 | 3 | 14.6% |
| Rental/Leasing/Licensing | 1,840,313 | 4 | 5.3% | 845,718 | 4 | 6.8% |
| Construction | 1,806,117 | 5 | 5.2% | 770,388 | 5 | 6.2% |
| All Other | 1,041,101 | 6 | 3.0% | 649,880 | 6 | 5.2% |
| Transportation/Communication/Utilities | 789,032 | 7 | 2.3% | 610,278 | 7 | 4.7% |
| | <u>\$ 34,969,787</u> | | <u>100.0%</u> | <u>\$ 12,520,775</u> | | <u>100.0%</u> |

Source: Arizona Department of Revenue and Revenue Discovery Systems

Note: Due to confidentiality issues, the names of the ten largest tax remitters cannot be presented. The categories presented are intended to provide alternative information regarding the sources of the City's 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. |
|-------------|---------------|-----------------|---------------|--------------------------|------------|
| 2021 | \$ 23,972,811 | \$ 7,150,999 | \$ 883,456 | \$ 515,335 | 32,522,601 |
| 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 |

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 | | | | | | | | | |
|--|----------------------|----------------------|----------------------|---|----------------------|----------------------|--|----------------------|----------------------|----------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Sales Category | | | | | | | | | | |
| Construction | \$ 1,806,117 | \$ 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 |
| Transportation, Communication and Utilities | 789,032 | 731,516 | 718,813 | 584,656 | 571,822 | 596,888 | 551,710 | 621,539 | 566,849 | 610,278 |
| Retail Trade | 9,816,161 | 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 |
| Restaurants and Bars | 5,217,637 | 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 |
| Rental/Leasing/Licensing | 1,840,313 | 1,553,226 | 1,621,589 | 1,396,438 | 1,302,833 | 1,058,690 | 630,449 | 928,205 | 747,856 | 770,388 |
| Hotels and Other Lodging | 14,459,426 | 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 |
| All Other Outlets | 1,041,101 | 893,336 | 1,280,028 | 1,044,676 | 911,414 | 887,700 | 1,053,920 | 612,380 | 513,538 | 649,880 |
| Total | <u>\$ 34,969,787</u> | <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> |
| Direct Sales Tax Rate | 3.50% | 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% |
| Transient Lodging Tax | 3.50 % | 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% |

Source: Arizona Department of Revenue and Revenue Discovery Systems

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

| Fiscal Year | City Direct Sales Tax Rate | Yavapai County | Coconino County | State of Arizona |
|-------------|---|----------------|--------------------|------------------|
| 2021 | 3.50% | 0.75% | 1.300% | 5.60% |
| 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 3.5% 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% |

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 | | | |
| 2021 | \$ 5,765,000 | \$ 1,265,613 | \$ 12,400,416 | \$ 20,000 | \$ 8,096,607 | \$ 27,547,636 | 5.59% | \$ 2,845 |
| 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 |

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, 2021
(UNAUDITED)**

| Government Unit | Outstanding Debt (1) | Estimated Percentage Applicable (2) | Estimated Share of Overlapping Debt |
|--|-------------------------|---|--|
| Coconino County | \$ 18,160,000 | 6.74% | \$ 1,223,984 |
| Yavapai County | 77,078,224 | 7.53% | 5,803,990 |
| Coconino County Community College District | - | 6.74% | - |
| Yavapai County Community College District | 470,000 | 7.53% | 35,391 |
| Sedona-Oak Creek Unified S.D. No. 9 | 37,774,854 | 67.62% | 25,543,356 |
| Sedona Fire District | 520,838 | 67.44% | 351,253 |
| Total Overlapping Debt | | | <u>32,957,974</u> |
| City of Sedona | 7,030,613 | 100.00% | <u>7,030,613</u> |
| Total Direct and Overlapping Debt | | | <u><u>\$ 39,988,587</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 2021 calendar year.

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

Excise Tax Revenue Bonds

| Fiscal Year | Excise Tax | | | | | | Coverage |
|-------------|---------------|--------------|--------------|--------------|--|--|----------|
| | Revenues | Principal | Interest | Total | | | |
| 2021 | \$ 35,125,807 | \$ 2,230,000 | \$ 3,487,076 | \$ 5,717,076 | | | 6.14 |
| 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 |

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 | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Coconino County | \$ 157,660,199 | \$ 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 |
| Yavapai County | 249,436,409 | 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 |
| Total Assessed Valuation | <u>\$ 407,096,608</u> | <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> |
| 20% Limitation | | | | | | | | | | |
| Debt Limit Equal to 20% of Assessed Valuation | \$ 81,419,322 | \$ 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 |
| Total Net Debt Applicable to 20% Limit | - | - | - | - | - | - | - | - | - | - |
| Legal 20% Debt Margin | <u>\$ 81,419,322</u> | <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> |
| 6% Limitations | | | | | | | | | | |
| Debt Limit Equal to 6% of Assessed Valuation | \$ 24,425,796 | \$ 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 |
| Total Net Debt Applicable to 6% Limit | - | - | - | - | - | - | - | - | - | - |
| Legal 6% Debt Margin | <u>\$ 24,425,796</u> | <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> |

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 |
|-------------|------------|-----------------|-------------------------------|------------|----------------------|--|
| 2021 | 9,684 | \$ 493,000,893 | \$ 47,509 | 61.2 | 903 | 6.10% |
| 2020 | 9,684 | 427,906,908 | 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% |

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, 2021 AND NINE YEARS PRIOR
(UNAUDITED)**

| Employer | 2021 | | | 2012 | | |
|---|------------------|------|--------------------------------------|------------------|------|--------------------------------------|
| | Employees (1) | Rank | Percentage of Total Employment | Employees (1) | Rank | Percentage of Total Employment |
| Enchantment Resorts (location outside of City) | 556 | 1 | 9.81% | 480 | 1 | 7.41% |
| L'Auberge de Sedona Resort | 550 | 2 | 9.71% | 220 | 4 | 3.40% |
| Hilton Sedona Resort at Bell Rock (location outside of City) | 380 | 3 | 6.71% | 195 | 5 | 3.08% |
| Orchards Inn | 220 | 4 | 3.88% | 104 | 9 | 1.60% |
| City of Sedona | 146 | 5 | 2.58% | | | |
| Arizona Elder Care | 120 | 6 | 2.12% | 180 | 6 | 2.78% |
| Sedona/Oak Creek School District | 115 | 7 | 2.03% | | | |
| Kachina Point Rehabilitation Hospital | 110 | 8 | 1.94% | | | |
| Verde Valley Medical Center/Sedona Emergency Department | 110 | 9 | 1.94% | | | |
| Picazzo's Healthy Italian Kitchen | 80 | 10 | 1.41% | | | |
| Sunterra Resorts | | | | 400 | 2 | 6.17% |
| Diamond Resorts | | | | 275 | 3 | 4.24% |
| Pink Jeep Tours | | | | 143 | 7 | 2.21% |
| Radisson Resort | | | | 87 | 10 | 1.34% |
| Sedona Rouge | | | | 110 | 8 | 1.70% |
| Total | 2,387 | | 42.13% | 2,194 | | 33.93% |

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 | | | | | | | | | |
|------------------------------------|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| 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 | 20.1 | 19.2 | 18.8 | 18.8 | 18.2 | 17.6 | 18.4 | 18.4 | 17.6 | 16.6 |
| Finance | 8.7 | 8.7 | 8.2 | 8.2 | 8.2 | 8.0 | 8.0 | 8.0 | 6.0 | 6.0 |
| Community Development | 6.7 | 6.7 | 7.3 | 6.5 | 6.6 | 9.6 | 8.0 | 8.0 | 8.2 | 9.0 |
| Facilities maintenance | 3.8 | 3.8 | 1.8 | 1.6 | 1.6 | 2.4 | 1.0 | 1.0 | 1.0 | 1.0 |
| Court | 5.2 | 4.7 | 4.7 | 4.3 | 4.3 | 3.7 | 3.7 | 4.3 | 4.3 | 4.3 |
| Public safety | | | | | | | | | | |
| Building safety | 3.7 | 3.7 | 3.2 | 4.7 | 4.8 | 2.1 | 2.0 | 2.0 | 2.0 | 2.0 |
| Code enforcement | 2.2 | 2.2 | 2.5 | 2.4 | 2.3 | 2.0 | 2.0 | 2.0 | 2.0 | 1.0 |
| Police - sworn | 27.0 | 27.0 | 27.0 | 27.0 | 27.0 | 27.0 | 27.0 | 27.0 | 25.0 | 27.0 |
| Police - civilian | 16.6 | 16.6 | 15.6 | 15.6 | 15.6 | 14.4 | 13.5 | 12.0 | 10.0 | 9.0 |
| Public works | | | | | | | | | | |
| Engineering and project management | 11.7 | 11.7 | 11.7 | 11.1 | 12.3 | 7.0 | 5.0 | 5.0 | 5.0 | 3.0 |
| Other | 9.3 | 9.3 | 9.5 | 8.3 | 4.5 | 4.3 | 15.2 | 15.2 | 14.4 | 14.2 |
| Culture and recreation | | | | | | | | | | |
| Parks and recreation | 13.4 | 13.4 | 12.6 | 12.5 | 11.0 | 15.2 | 6.0 | 5.9 | 6.1 | 6.4 |
| Arts and culture | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | - | - |
| Historic preservation | 0.3 | 0.3 | 0.4 | 0.5 | 0.4 | - | - | - | - | - |
| Economic development | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | - | - | - | - |
| Health and welfare | 1.0 | 1.0 | 1.0 | - | - | - | - | - | - | - |
| Public transportation | 1.0 | 1.0 | - | - | - | - | - | - | - | - |
| Wastewater | 13.0 | 13.0 | 12.0 | 12.0 | 10.6 | 10.6 | 9.8 | 9.8 | 10.7 | 10.9 |
| Total | 152.5 | 151.1 | 145.1 | 142.3 | 136.2 | 132.7 | 127.4 | 126.4 | 119.3 | 117.4 |

Source: City of Sedona, Arizona Financial Services Department

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

| Function | Fiscal Year | | | | | | | | | |
|--|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| General government | | | | | | | | | | |
| Building permits issued | 575 | 542 | 512 | 557 | 646 | 617 | 518 | 500 | 476 | 472 |
| Building inspections conducted | 4,398 | 3,515 | 3,954 | 2,899 | 1,889 | 1,733 | 1,953 | 1,907 | 1,781 | 1,453 |
| Police | | | | | | | | | | |
| Physical arrests | 283 | 340 | 301 | 391 | 464 | 383 | 432 | 325 | 364 | 497 |
| Parking violations | 3,336 | 2,350 | 2,568 | 2,819 | 728 | 737 | 317 | 191 | 587 | 195 |
| Traffic violations | NA/ | N/A | N/A | N/A | 2,011 | 3,553 | 3,827 | 1,145 | 2,340 | 2,268 |
| Traffic stops | 3,582 | 3,659 | 4,269 | 5,173 | N/A | N/A | N/A | N/A | N/A | N/A |
| Other public works | | | | | | | | | | |
| Street resurfacing (miles) | 4.1 | 5.5 | 4.3 | 5.9 | 6.5 | 2.4 | 2.6 | 2.2 | 3.8 | 3.0 |
| Right-of-way permits issued | 105 | 126 | 239 | 198 | 184 | 194 | 210 | 190 | 204 | 161 |
| Wastewater | | | | | | | | | | |
| Average daily sewage treatment (millions of gallons) | 1.2 | 1.1 | 1.1 | 1.2 | 1.1 | 1.1 | 1.1 | 1.2 | 1.1 | 1.1 |

Source: City of Sedona, Arizona

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

| Function | Fiscal Year | | | | | | | | | |
|---|-------------|------|------|------|------|------|------|------|------|------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| 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 | 18 | 17 | 17 | 19 | 19 | 16 | 15 | 15 | 17 | 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 | 155 | 149 | 149 | 149 | 149 | 147 | 147 | 136 | 136 | 8 |
| Parks and recreation | | | | | | | | | | |
| Acreage | 123 | 123 | 123 | 123 | 123 | 123 | 123 | 123 | 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 | 110 |
| Treatments capacity (millions of gallons) | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |

Source: City of Sedona, Arizona

Note: The 2014 parks acreage includes addition of the wetlands preserve located at the wastewater treatment plant and the Brewer Road Park.