

CITY OF SEDONA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
YEAR ENDED JUNE 30, 2021

**CITY OF SEDONA, ARIZONA
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YEAR ENDED JUNE 30, 2021**

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INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the accompanying Annual Expenditure Limitation Report of the City of Sedona, Arizona (City) for the year ended June 30, 2021. The City's management is responsible for presenting this report in accordance with the Uniform Expenditure Reporting System as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
December 14, 2021

**CITY OF SEDONA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART I
YEAR ENDED JUNE 30, 2021**

| | | |
|---|-----------------------------|-----------------------------|
| 1. Economic Estimates Commission expenditure limitation | \$ - | |
| 2. Voter approved alternative expenditure limitation | 51,214,284 | |
| 3. Enter applicable amount from Line 1 or Line 2 | <u> </u> | <u>\$ 51,214,284</u> |
| 4. Amount subject to the expenditure limitation (total amount from Part II, Line C) | 40,636,727 | |
| 5. Board-authorized expenditures necessitated by a disaster the Governor declared | - | |
| 6. Board-authorized expenditures necessitated by a disaster the Governor did not declare | - | |
| 7. Prior-year voter approved expenditures to exceed the expenditure limitation for the reporting fiscal year | <u> </u> | |
| 8. Subtotal | <u>40,636,727</u> | |
| 9. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster the Governor did not declare and the voters did not approve | <u> </u> | |
| 10. Total adjusted amount subject to the expenditure limitation | | <u>40,636,727</u> |
| 11. Amount under (in excess of) the expenditure limitation | | <u><u>\$ 10,577,557</u></u> |

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

Signature: 

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

Telephone Number: (928) 203-5193

Date: December 14, 2021

**CITY OF SEDONA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
YEAR ENDED JUNE 30, 2021**

| <u>Description</u> | <u>Governmental Funds</u> | <u>Enterprise Funds</u> | <u>Internal Service Funds</u> | <u>Total</u> |
|--|-------------------------------|-----------------------------|-----------------------------------|----------------------|
| A. Amounts reported on the Reconciliation Line D | \$ 30,583,974 | \$ 8,564,124 | \$ 1,488,629 | \$ 40,636,727 |
| B. Less exclusions claimed: | | | | |
| 1 Debt Proceeds | - | - | - | - |
| 2 Debt service requirements | - | - | - | - |
| 3 Dividends, interest and gains on sale or redemption of investment securities | - | - | - | - |
| 4 Trustee or custodian | - | - | - | - |
| 5 Grants and aid from the federal government | - | - | - | - |
| 6 Grants, aid, contributions or gifts from private agency, organization or individual, except amounts received in lieu of taxes | - | - | - | - |
| 7 Amounts received from the State of Arizona | - | - | - | - |
| 8 Quasi-external interfund transactions | - | - | - | - |
| 9 Amounts accumulated for purchase of land, purchase or construction of buildings or improvements | - | - | - | - |
| 10 Highway user revenues in excess of those received in fiscal year 1979- 80 | - | - | - | - |
| 11 Contracts with other political subdivisions | - | - | - | - |
| 12 Refunds, reimbursements and other recoveries | - | - | - | - |
| 13 Voter approved exclusions not identified above | - | - | - | - |
| 14 Prior years carryforward | - | - | - | - |
| 15 Qualifying capital improvement expenditure repaid in accordance with A.R.S. 41-1279.07 | - | - | - | - |
| 16 Total exclusions claimed | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| C. Amounts subject to the expenditure limitation | <u>\$ 30,583,974</u> | <u>\$ 8,564,124</u> | <u>\$ 1,488,629</u> | <u>\$ 40,636,727</u> |

See accompanying Notes to Annual Expenditure Limitation Report.

**CITY OF SEDONA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
YEAR ENDED JUNE 30, 2021**

| <u>Description</u> | <u>Governmental Funds</u> | <u>Enterprise Funds</u> | <u>Internal Service Funds</u> | <u>Total</u> |
|--|-------------------------------|-----------------------------|-----------------------------------|----------------------|
| A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements. | \$ 31,345,946 | \$ 8,977,057 | \$ 1,548,308 | \$ 41,871,311 |
| B. Subtract: | | | | |
| 1 Items not requiring use of working capital | | | | |
| Depreciation | - | 3,831,720 | 90,434 | 3,922,154 |
| Claims incurred but not reported (IBNR) | - | - | - | - |
| Pension expense | - | 359,197 | 67,850 | 427,047 |
| 2 Expenditures of separate legal entities established under ARS | - | - | - | - |
| 3 Required fees paid to the Arizona Department of Revenue | 26,622 | - | - | 26,622 |
| 4 Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at the agreements' inception | 735,350 | - | - | 735,350 |
| 5 Involuntary court judgments | - | - | - | - |
| 6 Total subtractions | <u>761,972</u> | <u>4,190,917</u> | <u>158,284</u> | <u>5,111,173</u> |
| C. Additions: | | | | |
| 1 Principal payments on long-term debt | - | 1,408,021 | - | 1,408,021 |
| 2 Capital asset acquisitions | - | 2,248,792 | 44,096 | 2,292,888 |
| 3 Amounts paid in the current year but reported as expenses in previous years: | - | - | - | - |
| OPEB | - | - | - | - |
| Claims previously recognized as IBNR | - | - | - | - |
| Landfill closure and postclosure care costs | - | - | - | - |
| 4 Pension contributions paid in the current year | - | 121,171 | 54,509 | 175,680 |
| 5 Total additions | <u>-</u> | <u>3,777,984</u> | <u>98,605</u> | <u>3,876,589</u> |
| D. Amounts reported on Part II Line A | <u>\$ 30,583,974</u> | <u>\$ 8,564,124</u> | <u>\$ 1,488,629</u> | <u>\$ 40,636,727</u> |

See accompanying Notes to Annual Expenditure Limitation Report.

CITY OF SEDONA, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 REQUIRED FEES PAID TO THE ARIZONA DEPARTMENT OF REVENUE

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

NOTE 3 PENSION RELATED ADJUSTMENTS

The \$427,047 subtraction for pension and other post employment benefit (OPEB) represents enterprise/internal service funds pension related operating expenses recognized in the current year, that did not result in an outlay of cash. The \$175,680 addition for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions made to the Arizona State Retirement System from the enterprise/internal service funds, that were not included in enterprise/internal service funds operating expenses. The schedule below reconciles the net effect the subtraction and addition have on the expenditures subject to the limitation to the amounts reported on the statement of cash flows’ net effect on cash.

| | Enterprise Funds | Internal Service Funds |
|---|---------------------|------------------------------|
| <u>Statement of Cash Flows</u> | | |
| Change in Net Pension and OPEB Asset | \$ (3,824) | \$ (1,655) |
| Change in Deferred Inflows Related to Pensions and OPEB | (58,874) | (35,419) |
| Change in Deferred Outflows Related to Pensions and OPEB | (102,032) | (51,224) |
| Change in Net Pension and OPEB Liability | 402,756 | 101,639 |
| Total | \$ 238,026 | \$ 13,341 |
| <u>AELR Reconciliation</u> | | |
| Pension/OPEB Expense(Income) – Subtraction | \$ 359,197 | \$ 67,850 |
| Pension/OPEB Contributions – Addition | 121,171 | 54,509 |
| Total | \$ 238,026 | \$ 13,341 |