

# AGENDA



# 4:30 P.M.

## CITY COUNCIL MEETING

## REVISED

## TUESDAY, JANUARY 11, 2022

### NOTES:

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

[www.SedonaAZ.gov](http://www.SedonaAZ.gov)

### GUIDELINES FOR PUBLIC COMMENT

#### PURPOSE:

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

#### PROCEDURES:

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

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

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

### 2. CITY'S VISION/MOMENT OF ART

### 3. CONSENT ITEMS - APPROVE

LINK TO DOCUMENT =

- a. Minutes - December 14, 2021 City Council Special Meeting - Executive Session.
- b. Minutes - December 14, 2021 City Council Regular Meeting.
- c. AB 2764 Approval of an appeal of the Final Judgment and Order of the Coconino County Superior Court in Case No. CV 2019-00120, Vincent McGeary vs. City of Sedona.

### 4. APPOINTMENTS - None.

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

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

### 7. PROCLAMATIONS, RECOGNITIONS & AWARDS - None.

### 8. REGULAR BUSINESS

- a. AB 2758 **Presentation/discussion** regarding the Annual Audit findings and Annual Comprehensive Financial Report (ACFR) for the City of Sedona for Fiscal Year 2020-21.
- b. AB 2757 **Discussion/possible action** regarding approval of award of a contract for Curbside Yard Waste Collection to Eco Green Services, LLC, DBA Arborist Standards Tree Care in the approximate amount of \$102,000.
- c. AB 2759 **Discussion/possible direction/action** regarding proposed State legislation, short-term rental legislation and State budget and their potential impact on the City of Sedona.
- d. AB 2571 **Discussion/possible direction** regarding issues surrounding the COVID-19 pandemic and the City's response.
- e. **Reports/discussion** regarding Council assignments.
- f. **Discussion/possible action** regarding future meeting/agenda items.

CITY COUNCIL CHAMBERS  
102 ROADRUNNER DRIVE, SEDONA, AZ

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



## Page 2, City Council Meeting Agenda Continued

### 9. EXECUTIVE SESSION

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

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

### 10. ADJOURNMENT

Posted: 01/06/2021

By: DJ

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Cherise Fullbright  
Deputy City Clerk

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

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

CITY COUNCIL CHAMBERS  
102 ROADRUNNER DRIVE, SEDONA, AZ

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

**Action Minutes  
Special City Council Meeting  
Vultee Conference Room, Sedona City Hall,  
106 Roadrunner Drive, Sedona, Arizona  
Tuesday, December 14, 2021, 3:00 p.m.**

**1. Call to Order**

Mayor Moriarty called the meeting to order at 3:00 p.m.

**2. Roll Call**

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

**Staff in attendance:** City Manager Karen Osburn, Deputy City Manager Joanne Keene, City Attorney Kurt Christianson, City Clerk Susan Irvine.

**3. Special Business**

**Motion: Councilor Williamson moved to enter into Executive Session at 3:01 p.m. Seconded by Vice Mayor Jablow. Vote: Motion carried unanimously with seven (7) in favor (Moriarty, Jablow, Kinsella, Lamkin, Ploog, Thompson, Williamson) and zero (0) opposed.**

- a. **Discussion and consultation with the City Attorney for legal advice regarding City jurisdiction of APN 408-27-001A. This matter is brought in executive session pursuant to A.R.S. § 38-431.03(A)(3).**
- b. **Discussion and consultation with the City Attorney for legal advice and to consider the City's position regarding pending litigation, McGeary v. City of Sedona. This matter is brought in executive session pursuant to A.R.S. § 38-431.03(A)(3) & (4).**

Reconvened in open session at 3:46 p.m.

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

No action taken.

**4. Adjournment**

Mayor Moriarty adjourned the meeting at 3:46 p.m.

I certify that the above are the true and correct actions of the Special City Council Meeting held on December 14, 2021.

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Susan L. Irvine, CMC, City Clerk

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Date

**Action Minutes**  
**Regular City Council Meeting**  
**City Council Chambers, Sedona City Hall,**  
**102 Roadrunner Drive, Sedona, Arizona**  
**Tuesday, December 14, 2021, 4:30 p.m.**

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

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

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

**Staff Present:** City Manager Karen Osburn, Deputy City Manager Joanne Keene, City Engineer/Assistant City Manager Andy Dickey, City Attorney Kurt Christianson, Director of Financial Services Cherie Wright, Arts & Culture Coordinator Nancy Lattanzi, Associate Engineer Stephen Craver, Communications Manager Lauren Browne, Public Relations Coordinator Ron Eland, Director of Community Development Jess McNeely, Planning Manager Cari Meyer, Human Resources Specialist JoAnne Cook, Lieutenant Karl Waak, Sergeant Laura Leon, Detective Aldo Ortega, Officer Ramon Dominguez, Officer Kevin Hudspeth, Community Services Officer Rock Kurz, PD Executive Assistant Sherri O'Connor, PD Records Clerk II Jamie Rivero, PD Records Technician Marcy Garner, Transit Administrator Robert Weber, Sustainability Coordinator Bryce Beck, City Clerk Susan Irvine.

**2. City's Vision/Moment of Art**

The City's Vision was read by Councilor Thompson.

Nancy Lattanzi introduced the Red RockApella Ensemble consisting of Sandy Adams, Marta Adelsman, Dianne Evans, Linda Haggard, Deb Sanders, and Carol Welsh. The groups performed the songs, "*Happy Holidays*" and "*Jingle Bell Rock*".

**3. Consent Items**

- a. **Minutes - November 23, 2021 City Council Special Meeting - Executive Session.**
- b. **Minutes - November 23, 2021 City Council Regular Meeting.**
- c. **Approval of Proclamation, Human Trafficking Awareness Month, January 2022.**
- d. **AB 2732 Approval of a Resolution approving the form of the federally taxable lease purchase agreement with Zions Bancorporation, N.A., Salt Lake City, Utah and authorizing the execution and delivery thereof.**
- e. **AB 2751 Approval of a Resolution authorizing an Intergovernmental Agreement for Arizona Emergency Management Aid Compact (AZMAC) between the Sedona Police Department and the State of Arizona.**
- f. **AB 2754 Approval of a recommendation regarding an application for a Series 10 Beer and Wine Store Liquor License for Matterhorn Inn located at 230 Apple Avenue, Sedona, AZ (File# 168576).**
- g. **AB 2756 Approval of award of a Professional Services Contract with Kimley-Horn and Associates in the approximate amount of \$288,936 for the design**

**of the Ranger Road/Brewer Road Intersection and Ranger Road Extension Improvements.**

Item 3g was pulled at the request of Councilor Kinsella.

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

**Pulled Consent Item:**

**3g - AB 2756 Approval of award of a Professional Services Contract with Kimley-Horn and Associates in the approximate amount of \$288,936 for the design of the Ranger Road/Brewer Road Intersection and Ranger Road Extension Improvements.**

Presentation by Andy Dickey.

Questions and comments from Council.

**Motion: Councilor Williamson moved to approve consent item 3g. Seconded by Vice Mayor Jablow. Vote: Motion carried unanimously with seven (7) in favor (Moriarty, Jablow, Kinsella, Lamkin, Ploog, Thompson, Williamson) and zero (0) opposed.**

**4. Appointments – None.**

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

Vice Mayor Jablow advised that the City has several pickleball courts available, and the Christmas Tree Lighting Ceremony at Tlaquepaque was an excellent event.

**6. Public Forum – None.**

**7. Proclamations, Recognitions, and Awards**

**a. Presentation of Proclamation, Human Trafficking Awareness Month, January 2022.**

Mayor Moriarty read the Proclamation but did not present it as there was nobody present to receive it.

**b. Recognition of 2021 City of Sedona Volunteer Award Recipients**

Mayor Moriarty, Lauren Browne, Nancy Lattanzi, Cherie Wright, Cari Meyer, JoAnne Cook, Karen Osburn, and Lieutenant Waak made comments and presented the following awards: Bright Light Award – Sarah Wiehl, Commitment Award - Pete Furman, Historian Award – Janeen Trevillyan, and Police Department Volunteer of the Year - Mike Ward.

Outgoing City Clerk Susan Irvine was recognized by the City Council and staff.

**6. Public Forum (Reopened)**

Annie Miller, Village of Oak Creek, spoke about chemtrails and her perception of the dangers to the environment and people's health.

**8. Regular Business**

- a. **AB 2753 Discussion/possible action regarding authorization to lease purchase three microtransit vehicles in an amount not to exceed \$336,000, plus interest, from Creative Bus Sales and approval of a Resolution approving the form of the federally taxable lease purchase agreement with Zions Bancorporation, N.A., and authorizing the execution and delivery thereof.**

Presentation by Robert Weber and Karen Osburn.

Questions and comments from Council.

Councilor Kinsella stated for the record that she supports this but would like to see the City move toward electric or hybrids whenever possible.

**Motion: Councilor Williamson moved to authorize the lease purchase of three microtransit Vehicles in an amount not to exceed \$336,000, plus interest, from Creative Bus Sales via the Arizona State Cooperative Purchasing Contract and financing from Zions Bank. Seconded by Councilor Thompson. Vote: Motion carried unanimously with seven (7) in favor (Moriarty, Jablow, Kinsella, Lamkin, Ploog, Thompson, Williamson) and zero (0) opposed.**

**Motion: Councilor Williamson moved to approve Resolution No. 2021-34, approving the form of the federally taxable lease purchase agreement with Zions Bancorporation, N.A., Salt Lake City, Utah and authorizing the execution and delivery thereof. Seconded by Councilor Thompson. Vote: Motion carried unanimously with seven (7) in favor (Moriarty, Jablow, Kinsella, Lamkin, Ploog, Thompson, Williamson) and zero (0) opposed.**

**Break at 6:18 p.m. Reconvened at 6:38 p.m.**

- b. **AB 2755 Discussion/possible direction regarding a possible joint meeting(s) between the City Council and the Planning and Zoning Commission and potential agenda items for said meeting(s).**

Presentation by Karen Osburn, Cari Meyer, and Kurt Christianson.

Questions and comments from Council.

**By majority consensus, Council directed staff to inquire with the Planning & Zoning Commission to see if they have a need for a joint meeting with Council.**

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

Presentation by Karen Osburn.

Questions and comments from Council.

**Presentation and discussion only. No action taken.**

- d. **Reports/discussion regarding Council assignments**

Councilor Thompson advised that Sedona Recycles held their quarterly meeting, and things have improved. They are in the process of renegotiating their contract with the county and may have to pull all of their bins if they can't reach an agreement. Councilor

Williamson stated that this year is the 55<sup>th</sup> anniversary of the Friends of the Library, and they have an incredible selection of books available.

**e. Discussion/possible action regarding future meeting/agenda items - None.**

**9. Executive Session**

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

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

No Executive Session was held.

**10. Adjournment**

Mayor Moriarty adjourned the meeting at 7:54 p.m. without objection.

**I certify that the above are the true and correct actions of the Regular City Council Meeting held on December 14, 2021.**

\_\_\_\_\_  
Susan L. Irvine, CMC, City Clerk

\_\_\_\_\_  
Date



**CITY COUNCIL  
AGENDA BILL**

**AB 2764  
January 11, 2022  
Consent Items**

**Agenda Item: 3c**

**Proposed Action & Subject:** Approval of an appeal to the Court of Appeals of the Final Judgment and Order of the Coconino County Superior Court in Case No. CV 2019-00120, *Vincent McGeary vs. City of Sedona*.

<b>Department</b>	City Attorney
<b>Time to Present</b>	N/A
<b>Total Time for Item</b>	
<b>Other Council Meetings</b>	September 29, 2021
<b>Exhibits</b>	A. Final Judgment & Order dated December 7, 2021

<b>City Attorney Approval</b>	Reviewed 1/3/22 KWC	<b>Expenditure Required</b>	
			\$ 0
<b>City Manager's Recommendation</b>	Approve the appeal of the Final Judgement and Order in Coconino County Superior Court Case No. CV 2019-00120, <i>Vincent McGeary vs. City of Sedona</i> .	<b>Amount Budgeted</b>	
			\$ 0
		Account No. (Description)	NA
		Finance Approval	<input checked="" type="checkbox"/>

**SUMMARY STATEMENT**

**Background:**

In 2017, the Arizona Water Company requested approval of a Conditional Use Permit (CUP) and Development Review to allow for a new public utility and public service substation water tank and pumping plant. The facility is proposed to include a new 1.5 million gallon, mostly subterranean, water tank and booster pump station to provide water to the properties along the State Route 179 corridor of Sedona.

The Planning and Zoning Commission considered the application at a public hearing on August 21, 2018. At that time, the Commission determined that additional information and considerations by the applicant were necessary. Accordingly, the public hearing was continued to October 16, 2018. At the conclusion of the October 16, 2018, public hearing, in reliance on detailed analyses presented in the staff report the Commission voted to approve the CUP.

Following the Commission approval, a Sedona resident, Mr. Vincent McGeary, timely appealed the Commission's decision because he alleged the Commission action did not comply with the specific "findings" required by the then existing Sedona Land Development Code (LDC). The matter was appealed to the City Council, as per the review process established in the LDC. The City Council affirmed the Commission's action in approving the CUP in January 2019.



Mr. McGeary then filed a special action complaint in the Coconino County Superior Court in which he alleged that the Commission and City Council decisions were arbitrary, capricious, or contrary to law. Nearly two years after the case was fully briefed and submitted to the Superior Court judge for consideration, the Court found that there was insufficient information in the record of the Commission and Council proceedings from which to draw any conclusion as to the legal sufficiency of the Commission and Council actions. In its April 14, 2021 Order, the Court remanded the matter back to the Commission and City Council for further findings. In accordance with that Order, the Planning and Zoning Commission on May 18, 2021, and the City Council on September 29, 2021, reheard case number PZ1700001 (CUP). Both public bodies affirmed approval of the CUP.

On December 7, 2021, the Coconino County Superior Court without explanation entered a Final Judgment and Order in favor of the Plaintiff and vacated City Council's approval of the CUP. City Council must approve the appeal.

In order to preserve its right to appeal, the City filed its Notice of Appeal on December 28, 2021. If City Council approves the appeal, the City's Opening Brief will be due 60 days after receiving the Initial Notice from the Court of Appeals.

**Community Plan Consistent:** Yes - No - Not Applicable

**Climate Action Plan/Sustainability Consistent:** Yes - No - Not Applicable

**Board/Commission Recommendation:** Applicable - Not Applicable

**Alternative(s):** Not approve the appeal. The CUP would be permanently vacated.

## **MOTION**

**I move to:** approve the appeal of the Final Judgment and Order in Coconino County Superior Court Case No. CV 2019-00120, *Vincent McGeary vs. City of Sedona*, to the Court of Appeals and authorize the City Attorney to take all necessary steps to complete the appeal.

**IN THE SUPERIOR COURT OF THE STATE OF ARIZONA**  
**IN AND FOR THE COUNTY OF COCONINO**

VINCENT MCGEARY,

Plaintiff,

vs.

CITY OF SEDONA, an Arizona municipal corporation, and the COUNCIL OF THE CITY OF SEDONA, a legislative body,

Defendants.

Case No. CV 2019-00120

FINAL JUDGMENT

The Plaintiff filed a Notice of Motion in the above-referenced matter on May 12, 2021, stating that on June 9, 2021, he would move for entry of final judgment in this case. The Court has not received said Motion. However, Defendants have filed a Response to said Notice of Motion, and Plaintiff has filed a Reply.

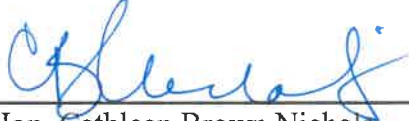
**THIS MATTER** having been brought before the Court on notice of motion by the Plaintiff for the entry of Final Judgment, and the Court having considered its Order of April 14, 2021, vacating CUP PZ17-00001, the submissions and arguments of the parties and the Court record, and for good cause shown;

**IT IS ORDERED** that the portion of this Court's Order dated April 14, 2021, remanding this matter is hereby vacated.

12/8/2021-DS cc'd via email

**IT IS FURTHER ORDERED** that final judgment is hereby entered in favor of the Plaintiff and vacating conditional use permit PZ17-00001.

Dated: December 7, 2021



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Hon. Cathleen Brown Nichols

cc:  
Kurt W. Christianson, SBN 029076  
William A. Kunisch, SBN 024118  
[KChristianson@sedonaaz.gov](mailto:KChristianson@sedonaaz.gov)

Vincent McGeary  
20 Cathedral Rock Trail  
Sedona, AZ 86336

1  
2 IN THE SUPERIOR COURT OF THE STATE OF ARIZONA  
3 IN AND FOR THE COUNTY OF COCONINO

4 VINCENT MCGEARY,  
5 Plaintiff,

6 vs.

7  
8 CITY OF SEDONA, an Arizona municipal  
9 corporation, and the COUNCIL OF THE CITY  
10 OF SEDONA, a legislative body,  
11 Defendants.

Case No. CV2019-00120

**ORDER**

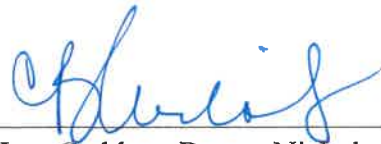
*(Assigned to the Hon. Cathleen Brown  
Nichols)*

12 UPON CONSIDERATION of Defendants' Motion to Supplement Record Pursuant  
13 to the Court's April 14, 2021 Order, Plaintiff's Response and Defendants' Reply;

14 **IT IS HEREBY ORDERED** denying said Motion.

15 **IT IS FURTHER ORDERED** denying Defendants' request for entry of a final  
16 judgment in favor of the City.

17 DATED: December 7, 2021.

18  
19 

20 Hon. Cathleen Brown Nichols

21 cc:

22 Kurt W. Christianson, SBN 029076  
23 William A. Kunisch, SBN 024118  
24 [KChristianson@sedonaaz.gov](mailto:KChristianson@sedonaaz.gov)

25 Vincent McGeary  
20 Cathedral Rock Trail  
Sedona, AZ 86336

12/8/2021 - DS cc'd via email



**CITY COUNCIL  
AGENDA BILL**

**AB 2758  
January 11, 2022  
Regular Business**

**Agenda Item:** 8a  
**Proposed Action & Subject:** Presentation/discussion regarding the Annual Audit findings and Annual Comprehensive Financial Report (ACFR) for the City of Sedona for Fiscal Year 2020-21.

<b>Department</b>	Financial Services
<b>Time to Present</b>	20 minutes
<b>Total Time for Item</b>	45 minutes
<b>Other Council Meetings</b>	N/A
<b>Exhibits</b>	<ul style="list-style-type: none"> <li>A. Annual Comprehensive Financial Report</li> <li>B. Annual Expenditure Limitation Report</li> <li>C. Governance Communication</li> <li>D. Internal Control Communication</li> <li>E. HURF Audit Report</li> <li>F. PowerPoint Presentation</li> </ul>

<b>City Attorney Approval</b>	Reviewed 1/3/22 KWC	<b>Expenditure Required</b>	\$ N/A
<b>City Manager's Recommendation</b>	For discussion only. No action required.	<b>Amount Budgeted</b>	\$ N/A
		Account No. (Description)	
		Finance Approval	<input checked="" type="checkbox"/>

**SUMMARY STATEMENT**

**Background:**

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

The required audit reports included as exhibits are as follows:

- Annual Comprehensive Financial Report (ACFR)<sup>1</sup>
  - **Purpose:** Presents the audited financial statements and related disclosures with the auditors' opinion regarding the presentation of the financial statements.
  - **Results:** The auditors' opinion was that, in all material respects, the financial statements fairly present the City's financial position and financial activities for fiscal year 2020-21.
- Annual Expenditure Limitation Report
  - **Purpose:** Presents the results regarding the City's compliance with expenditure limitation requirements.
  - **Results:** The City was well under the expenditure limit for fiscal year 2020-21.
- Governance Communication
  - **Purpose:** Communicates to those charged with governance, the City Council and Senior Management, the scope of audit procedures performed, significant findings, and other information, such as disagreements with management, audit adjustments and significant estimates, that are not communicated in the audited financial statements.
  - **Results:** No issues were identified by the auditors during the fiscal year 2020--21 audit.
- Internal Control Communication
  - **Purpose:** Identifies any significant deficiencies or material weaknesses in internal controls. If deficiencies in controls are identified, the auditors may offer recommendations for ways to improve these controls that will help to mitigate risk and strengthen accounting processes.
  - **Results:** No significant deficiencies or material weaknesses were identified by the auditors during the fiscal year 2020-21 audit.
- Highway User Revenue Fund (HURF) Audit Report
  - **Purpose:** Identifies the auditors' opinion regarding the City's compliance with HURF regulations.
  - **Results:** The auditors' opinion was that the City complied, in all material respects, with the HURF requirements for fiscal year 2020-21.

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

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

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<sup>1</sup> Please note the Government Finance Officers Association (GFOA) has asked for the discontinuance of the acronym for the formerly named Comprehensive Annual Financial Report due to the similarity to a derogatory term used in South Africa. The Governmental Accounting Standards Board (GASB) will be changing the report name to Annual Comprehensive Financial Report (ACFR).

Sandy Cronstrom of CliftonLarsonAllen LLP will be present to discuss the City's ACFR and audit reports with the City Council. A presentation also will be made regarding an overview of the City's financial status as of the fiscal year ended June 30, 2021. While it has been our standard practice to ask the auditor to present the audit reports, this also meets the requirements of HB 2906 recently passed in the last legislative session.

**Community Plan Consistent:**  Yes -  No -  Not Applicable

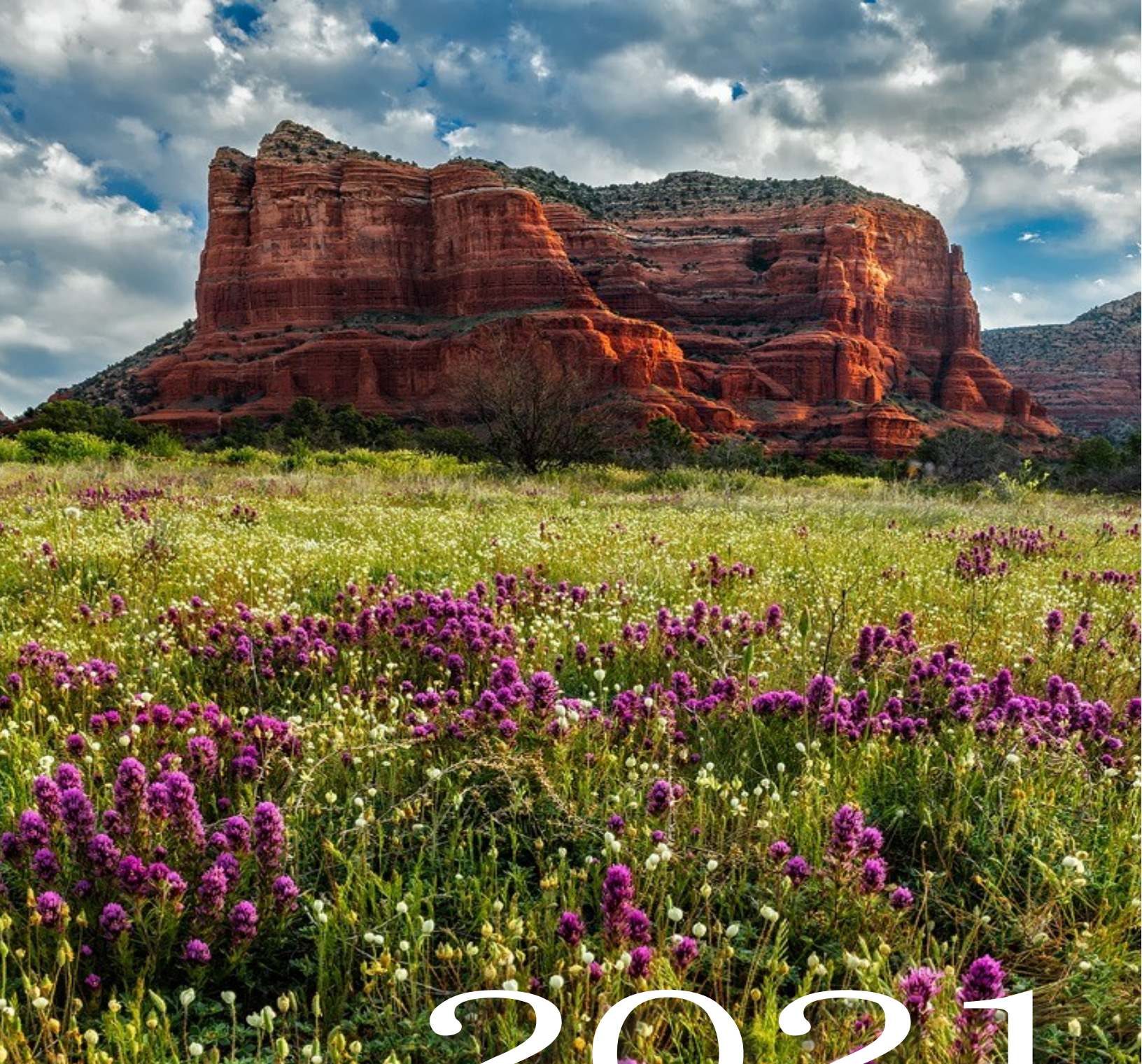
**Climate Action Plan/Sustainability Consistent:**  Yes -  No -  Not Applicable

**Board/Commission Recommendation:**  Applicable -  Not Applicable

**Alternative(s):** N/A

**MOTION**

I move to: for presentation and discussion only



# 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

## TABLE OF CONTENTS

	PAGE
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	1
Organizational Chart	8
List of Elected and Appointed Officials	9
GFOA Certificate of Achievement	10
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	13
Required Supplementary Information – Management’s Discussion and Analysis	19
<b>Basic Financial Statements</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position	31
Statement of Activities	32
<b>Fund Financial Statements</b>	
Balance Sheet - Governmental Funds	33
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	34
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	35
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities	36
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund	37
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Streets Fund	38
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Transportation Sales Tax Fund	39
Statement of Net Position - Proprietary Funds	40
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	41
Statement of Cash Flows - Proprietary Funds	42
Notes to the Financial Statements	43
<b>Other Required Supplementary Information</b>	
Schedule of the City’s Proportionate Share of Net Pension/OPEB Liability - Cost Sharing Plans	77
Schedule of Changes in the City’s Net Pension/OPEB Liability and Related Ratios - Agent Plans	78

# CITY OF SEDONA, ARIZONA

For the Year Ended June 30, 2021

## TABLE OF CONTENTS

### FINANCIAL SECTION (Continued)

#### Other Required Supplementary Information (Continued)

Schedule of City Pension/OPEB Contributions	80
Notes to Pension/OPEB Plan Schedules	82

#### Combining and Individual Fund Financial Statements and Schedules

Combining Balance Sheet - Nonmajor Governmental Funds	87
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	88
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Improvements Fund	89
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Grants & Donations Fund	90
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Summit II Community Facilities District Fund	91
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Fairfield Community Facilities District Fund	92
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Art in Public Places Fund	93
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Development Impact Fees Fund	94
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Budgetary Basis - Wastewater Fund	95
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Budgetary Basis - Public Transit Fund	96
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Budgetary Basis - Internal Service Fund	97

### STATISTICAL SECTION

#### Financial Trends

Net Position by Component	101
Changes in Net Position	102
Fund Balances of Governmental Funds	104
Changes in Fund Balances of Governmental Funds	105

#### Revenue Capacity

General Government Principal Sales Tax Remitters	106
General Government Tax Revenues by Source	107

# CITY OF SEDONA, ARIZONA

For the Year Ended June 30, 2021

## TABLE OF CONTENTS

### STATISTICAL SECTION (Continued)

#### Revenue Capacity (Continued)

Sales Tax Collections by Category 108

Direct and Overlapping Sales Tax Rates 109

#### Debt Capacity

Ratios of Outstanding Debt by Type 110

Direct and Overlapping Governmental Activities Debt 111

Pledged Revenue Coverage 112

Debt Limitations and Computation of Legal Debt Margin 113

#### Demographic and Economic Statistics

Demographic and Economic Statistics 114

Principal Employers 115

#### Operating Information

Full-Time Equivalent Employees by Function 116

Operating Indicators by Function 117

Capital Asset Statistics by Function 118

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## **INTRODUCTORY SECTION**



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**City of Sedona**  
102 Roadrunner Dr.  
Sedona, AZ 86336

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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,



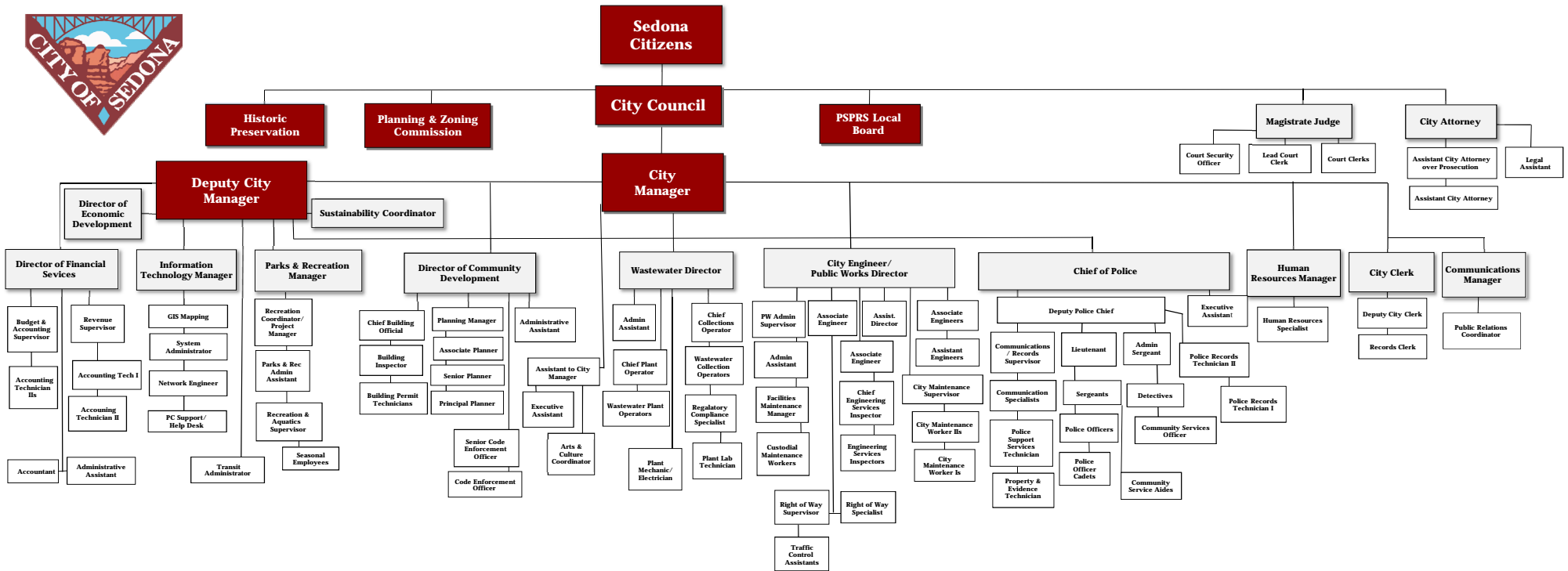
Karen Osburn  
City Manager



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  
John Thompson      Jessica Williamson

Karen Osburn  
*City Manager*

Joanne Keene  
*Assistant City Manager*

Cherie R. Wright  
*Director of Financial Services*

**Acknowledgements**

Brenda Tammarine, Human Resources Manager, for Cover Design



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Sedona  
Arizona**

For its 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
<b>Revenues</b>						
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
<b>Total revenues</b>	<b>44,802,867</b>	<b>35,322,268</b>	<b>7,597,614</b>	<b>7,567,381</b>	<b>52,400,481</b>	<b>42,889,649</b>
<b>Expenses</b>						
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
<b>Total expenses</b>	<b>23,030,366</b>	<b>23,068,109</b>	<b>8,964,451</b>	<b>8,319,467</b>	<b>31,994,817</b>	<b>31,387,576</b>
Increase (decrease) in net position before transfers	21,772,501	12,254,159	(1,464,878)	(752,086)	20,405,664	11,502,073
<b>Transfers</b>	<b>(3,420,194)</b>	<b>(3,447,000)</b>	<b>3,420,194</b>	<b>3,447,000</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>	<b>18,352,307</b>	<b>8,807,159</b>	<b>2,053,357</b>	<b>2,694,914</b>	<b>20,405,664</b>	<b>11,502,073</b>
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](http://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
<b>Assets</b>			
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>
<b>Deferred outflows of resources</b>			
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>
<b>Liabilities</b>			
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>
<b>Deferred inflows related to pensions/OPEB</b>	<u>282,981</u>	<u>18,086</u>	<u>301,067</u>
<b>Net position</b>			
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**

<b>Functions/Programs</b>	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
<b>Primary Government</b>							
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
<b>Assets</b>						
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>
<b>Liabilities</b>						
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>
<b>Deferred Inflows of Resources</b>						
Deferred inflows - unavailable revenue	325,852	-	-	428,817	30,037	784,706
<b>Fund Balances (Deficits)</b>						
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
<b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>	
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
<b>Revenues</b>						
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>
<b>Expenditures</b>						
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
<b>Other Financing Sources (Uses)</b>						
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)
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The internal service fund is used by management to charge the costs of information technology activities to individual funds. The net revenue of 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		
<b>Revenues</b>				
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>
<b>Budgetary Expenditures</b>				
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>
<b>Budgetary Other Financing Sources (Uses)</b>				
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>		
<b>Revenues</b>			
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>
<b>Expenditures</b>			
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>
<b>Other Financing Sources (Uses)</b>			
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		
<b>Revenues</b>				
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>
<b>Expenditures</b>				
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>
<b>Other Financing Sources (Uses)</b>				
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
<b>Assets</b>				
<b>Current assets</b>				
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>
<b>Noncurrent assets</b>				
Net pension/OPEB asset	5,678	-	5,678	2,717
<b>Capital assets</b>				
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>
<b>Deferred outflows of resources</b>				
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>
<b>Liabilities</b>				
<b>Current liabilities</b>				
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>
<b>Noncurrent liabilities</b>				
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>
<b>Deferred inflows related to pensions/OPEB</b>	18,086	-	18,086	8,654
<b>Net position</b>				
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>	

**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
<b>Operating Revenues</b>				
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>
<b>Operating Expenses</b>				
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
<b>Nonoperating Revenues (Expenses)</b>				
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		
<b>Cash flows from operating activities</b>				
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>
<b>Cash flows from noncapital financing activities</b>				
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>
<b>Cash flows from capital and related financing activities</b>				
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>
<b>Cash flows from investing activities</b>				
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>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>				
Operating income (loss)	\$ (1,755,362)	\$ (61,455)	\$ (1,816,817)	\$ 117,117
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities</b>				
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>
<b>Noncash investing, capital, and noncapital financing activities</b>				
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:

<b>Deposits</b>	
Cash on hand	\$ 2,543
Cash in bank	4,977,476
<b>Investments</b>	
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	<u>12,030,188</u>
Total deposits and investments	70,271,392
Restricted assets	<u>(24,200)</u>
Total unrestricted deposits and investments	<u><u>\$70,247,192</u></u>

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

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

Investment 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	-	-
	<u>\$65,291,373</u>	<u>\$53,758,114</u>	<u>\$ 3,314,818</u>	<u>\$ 8,218,441</u>

*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 conduction 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)
<b>Debt Securities</b>				
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	\$ -
<b>Investments Measured at Net Asset Value</b>				
State Treasurer’s investment pools	44,782,389			
Total investments measured at fair value	55,577,162			
<b>Investments Measured at Amortized Cost</b>				
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
<b>General Fund</b>		
Sales tax receivable	\$139,773	\$ -
Court fines receivable	186,079	
Miscellaneous unearned fees		2,000
<b>Capital Improvements Fund</b>		
State grant reimbursements receivable	399,317	
Miscellaneous receivable	29,500	
<b>Nonmajor Governmental Funds</b>		
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:

<b>Governmental Activities</b>	
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>
<b>Business-type Activities</b>	
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
<b>Governmental activities</b>		
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>
<b>Business-type activities</b>		
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
<b>Governmental activities</b>				
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>
<b>Business-type activities</b>				
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
<b>Governmental activities</b>					
<b>Bonds payable</b>					
Revenue bonds	\$ 6,665,000	\$ -	\$ (900,000)	\$5,765,000	\$ 920,000
<b>Other liabilities</b>					
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
<b>Business-Type activities</b>					
<b>Bonds payable and related interest</b>					
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
<b>Other liabilities:</b>					
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
<b>Totals</b>	<b>\$26,014,036</b>	<b>\$1,582,818</b>	<b>\$6,765,560</b>	<b>\$9,340,601</b>	<b>\$3,727,547</b>	<b>\$47,430,562</b>

**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:

<b>Statement of net position and statement of activities</b>	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Total</b>
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](http://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	-
<b>Totals</b>	<b>\$2,001,789</b>	<b>\$52,394</b>	<b>\$103,372</b>	<b>\$87,952</b>	<b>\$27,238</b>	<b>\$1,472</b>

**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](http://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
<b>Retirement and disability</b>		
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	
<b>Survivor benefit</b>		
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:

	Pension	Health
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
<u>7.65%-11.65%</u>	<u>38.85%</u>	<u>0.00%</u>

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
<u>24.74%</u>	<u>0.00%</u>

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

Pension	Health insurance premium benefit
<u>\$687,646</u>	<u>\$ -</u>

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
<u>\$5,796,360</u>	<u>\$(72,136)</u>

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)
<b>Changes for the year</b>						
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	-	-	-
<b>Totals</b>	<b>\$2,058,060</b>	<b>\$132,854</b>	<b>\$56,970</b>	<b>\$26,395</b>

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	<u>(735,350)</u>	<u>(735,350)</u>
Budgetary Comparison Schedule – General Fund	<u>\$19,734,505</u>	<u>\$(7,868,275)</u>

**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)							2014 through 2012
	2021 2020	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014	
<b>ASRS – Pension</b>								
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)				2017 through 2012
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
<b>ASRS – Health insurance premium benefit</b>					
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)				2017 through 2012
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
<b>ASRS – Long-term Disability</b>					
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
<b>PSPRS Police</b>								
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)	
<b>PSPRS Health Insurance Premium Benefit</b>					
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	
<b>ASRS – Pension</b>									
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	
<b>ASRS – Health insurance premium benefit</b>						
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	
<b>ASRS – Long-term disability</b>						
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	
<b>PSPRS Police</b>									
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	
<b>PSPRS Health Insurance Premium Benefit</b>						
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
<b>Actuarial Assumptions:</b>	
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	
<b>Assets</b>						
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>
<b>Liabilities</b>						
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>
<b>Deferred Inflows of Resources</b>						
Deferred inflows - unavailable revenue	-	-	30,037	-	-	30,037
<b>Fund Balances (Deficits)</b>						
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					
<b>Revenues</b>						
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>
<b>Expenditures</b>						
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
<b>Other Financing Sources</b>						
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		
<b>Revenues</b>				
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>
<b>Expenditures</b>				
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>
<b>Other Financing Sources (Uses)</b>				
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		
<b>Revenues</b>				
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>
<b>Expenditures</b>				
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>Variance with</u>
	<u>Original and</u>	<u>Actual</u>	<u>Final Budget</u>
	<u>Final</u>		
<b>Revenues</b>			
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>
<b>Expenditures</b>			
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
<b>Revenues</b>			
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>
<b>Expenditures</b>			
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		
<b>Revenues</b>				
Investment earnings	\$ 1,250	\$ 1,250	\$ 740	\$ (510)
Total revenues	<u>1,250</u>	<u>1,250</u>	<u>740</u>	<u>(510)</u>
<b>Expenditures</b>				
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>
<b>Other Financing Sources (Uses)</b>				
Transfers in	38,108	38,108	21,082	(17,026)
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>
<b>Revenues</b>			
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>
<b>Expenditures</b>			
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		
<b>Revenues</b>				
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>
<b>Expenditures</b>				
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>
<b>Other Financing Sources</b>				
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		
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ 46,400	\$ 46,400
Total revenues	<u>-</u>	<u>-</u>	<u>46,400</u>	<u>46,400</u>
<b>Expenditures</b>				
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>
<b>Other Financing Sources</b>				
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		
<b>Revenues</b>				
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>
<b>Expenditures</b>				
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>
<b>Other Financing Uses</b>				
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
<b>Governmental activities</b>										
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>
<b>Business-type activities</b>										
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>
<b>Primary government</b>										
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
<b>Expenses</b>										
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>
<b>Program revenues</b>										
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)										
<b>Net (Expense)/Revenue</b>										
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>
<b>General Revenues and Transfers</b>										
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>
<b>Change in Net Position</b>										
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
<b>General Fund</b>										
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
<b>Total General Fund</b>	<b>\$26,014,036</b>	<b>\$ 15,592,186</b>	<b>\$ 13,376,519</b>	<b>\$ 9,751,377</b>	<b>\$ 11,028,522</b>	<b>\$ 9,750,233</b>	<b>\$ 13,244,209</b>	<b>\$ 17,514,173</b>	<b>\$ 14,295,777</b>	<b>\$ 12,783,938</b>
<b>All Other Governmental Funds</b>										
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)	-	-	-
<b>Total All Other Governmental Funds</b>	<b>\$21,416,526</b>	<b>\$ 21,577,369</b>	<b>\$ 22,241,932</b>	<b>\$ 19,705,168</b>	<b>\$ 16,436,801</b>	<b>\$ 16,518,333</b>	<b>\$ 13,066,848</b>	<b>\$ 6,836,886</b>	<b>\$ 10,561,911</b>	<b>\$ 13,480,089</b>

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
<b>Revenues</b>										
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
<b>Expenditures</b>										
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)
<b>Other Financing Sources (Uses)</b>										
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
<b>Sales Category</b>										
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 Revenues	Principal	Interest	Total	Coverage
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
<b>Total Assessed Valuation</b>	<b>\$ 407,096,608</b>	<b>\$ 439,021,011</b>	<b>\$ 394,903,189</b>	<b>\$ 377,168,620</b>	<b>\$ 361,774,014</b>	<b>\$ 316,695,467</b>	<b>\$ 304,804,395</b>	<b>\$ 287,389,075</b>	<b>\$ 298,617,510</b>	<b>\$ 289,661,444</b>
<b>20% Limitation</b>										
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	-	-	-	-	-	-	-	-	-	-
<b>Legal 20% Debt Margin</b>	<b>\$ 81,419,322</b>	<b>\$ 87,804,202</b>	<b>\$ 78,980,638</b>	<b>\$ 75,433,724</b>	<b>\$ 72,354,803</b>	<b>\$ 63,339,093</b>	<b>\$ 60,960,879</b>	<b>\$ 57,477,815</b>	<b>\$ 59,723,502</b>	<b>\$ 57,932,289</b>
<b>6% Limitations</b>										
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	-	-	-	-	-	-	-	-	-	-
<b>Legal 6% Debt Margin</b>	<b>\$ 24,425,796</b>	<b>\$ 26,341,261</b>	<b>\$ 23,694,191</b>	<b>\$ 22,630,117</b>	<b>\$ 21,706,441</b>	<b>\$ 19,001,728</b>	<b>\$ 18,288,264</b>	<b>\$ 17,243,345</b>	<b>\$ 17,917,051</b>	<b>\$ 17,379,687</b>

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%
<b>Total</b>	<b>2,387</b>		<b>42.13%</b>	<b>2,194</b>		<b>33.93%</b>

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
<b>Total</b>	<b>152.5</b>	<b>151.1</b>	<b>145.1</b>	<b>142.3</b>	<b>136.2</b>	<b>132.7</b>	<b>127.4</b>	<b>126.4</b>	<b>119.3</b>	<b>117.4</b>

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.

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



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

<b>INDEPENDENT ACCOUNTANTS' REPORT</b>	<b>1</b>
<b>ANNUAL EXPENDITURE LIMITATION REPORT - PART I</b>	<b>2</b>
<b>ANNUAL EXPENDITURE LIMITATION REPORT - PART II</b>	<b>3</b>
<b>ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION</b>	<b>4</b>
<b>NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT</b>	<b>5</b>



## 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>\$ 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	-	
8. Subtotal	40,636,727	
9. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster the Governor did not declare and the voters did not approve	-	
10. Total adjusted amount subject to the expenditure limitation	40,636,727	
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



City Council  
City of Sedona, Arizona  
Sedona, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sedona, Arizona (City) as of and for the year ended June 30, 2021, and have issued our report thereon dated December 14, 2021. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings**

#### ***Qualitative aspects of accounting practices***

##### *Accounting policies*

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

No new accounting policies were adopted and the application of existing policies was not changed during 2021.

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

##### *Accounting estimates*

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

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

- Management's estimate of the compensated absences is based on vested leave time accrued through June 30, 2021 and an estimate of leave time that will vest. We evaluated the key factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the unfunded pension/OPEB asset or liability related to the Arizona State Retirement System and Public Safety Personnel Retirement System Plan benefits are based on actuarial reports prepared by other professionals. We reviewed the key assumptions used to estimate the asset or liability in determining that they are reasonable in relation to the financial statements taken as a whole.

**Financial statement disclosures**

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

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

***Difficulties encountered in performing the audit***

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

***Uncorrected misstatements***

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

***Corrected misstatements***

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

***Disagreements with management***

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

***Management representations***

We have requested certain representations from management that are included in management representation letter dated December 14, 2021.



***Management consultations with other independent accountants***

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

***Significant issues discussed with management prior to engagement***

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

***Other information in documents containing audited financial statements***

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

With respect to the combining statements and schedules (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated December 14, 2021.

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

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

\* \* \*

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
December 14, 2021



City Council and Management  
City of Sedona, Arizona  
Sedona, Arizona

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sedona, Arizona (City) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
December 14, 2021



## INDEPENDENT ACCOUNTANTS' REPORT

The Honorable Mayor and City Council  
City of Sedona, Arizona

We have examined the City of Sedona, Arizona's (City) compliance as to whether expenditures made during the fiscal year ended June 30, 2021, from Highway User Revenue Fund monies received by the City pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the City were used solely for the authorized transportation purposes prescribed in Article IX, §14, of the Arizona Constitution. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

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

In our opinion, the City of Sedona, Arizona complied, in all material respects, with the aforementioned requirements for the fiscal year ended June 30, 2021.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
December 14, 2021

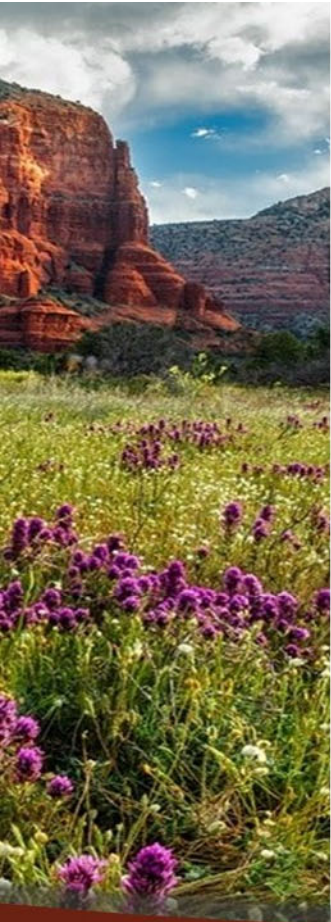


# Overview of Financial Status and Presentation of Audit Results

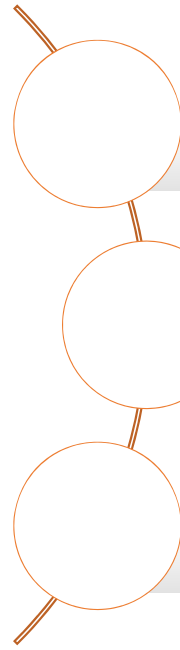
City Council Presentation  
January 11, 2022

FY 20-21  
ANNUAL FINANCIAL REPORT





# Agenda



FY 2021 Financial Results

Expenditure Limitation Summary

Audit Results

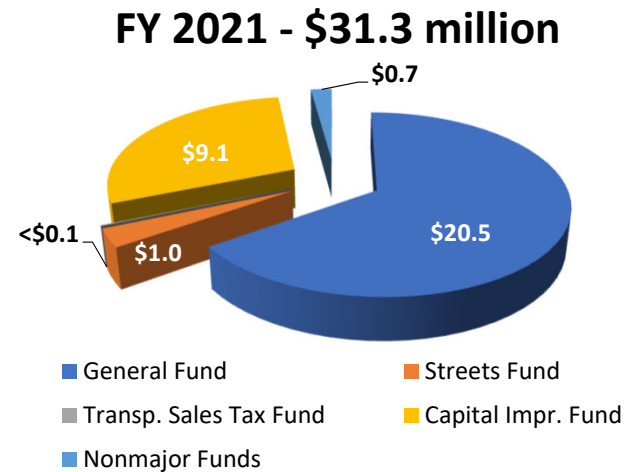
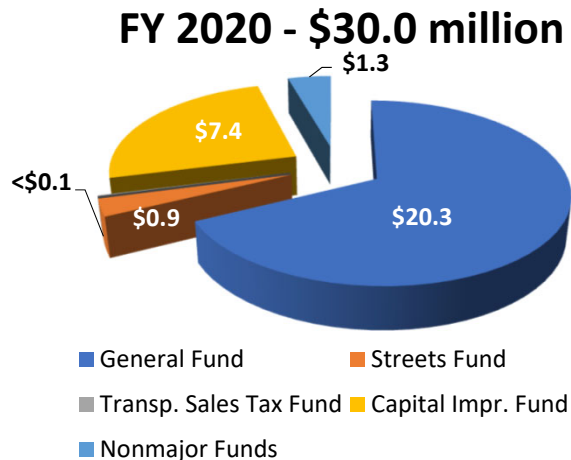
FY 20-21  
ANNUAL FINANCIAL REPORT





# Governmental Expenditures by Fund

ACFR pg. 35



**Governmental Funds expenditures increased \$1.4M or 4.6%.**

- Economic Development increased \$0.4M (14%) due to additional funding to SCCTB to pay off loan balance of Jordan Road property and to execute transfer of title to the City, as well as an increase in the tourism management program.
- Public Transportation decreased \$0.1M (-69%) due to elimination of the City’s portion of the Verde Shuttle costs since costs were fully covered by CARES Act.
- Housing decreased \$0.2M (-75%) due to affordable housing study and grant funded expenditures related to transitional housing for homeless incurred in prior year.
- Capital Outlay increased \$1.6M (18%) due to an increase in CIP expenditures. Most significant projects were real estate/land acquisition (\$2.1M), Thunder Mountain shared-use path/drainage improvements (\$1.2M), Sunset Drive crossing drainage improvements (\$1.0M), and SR179 sewer main replacement (\$1.4M).

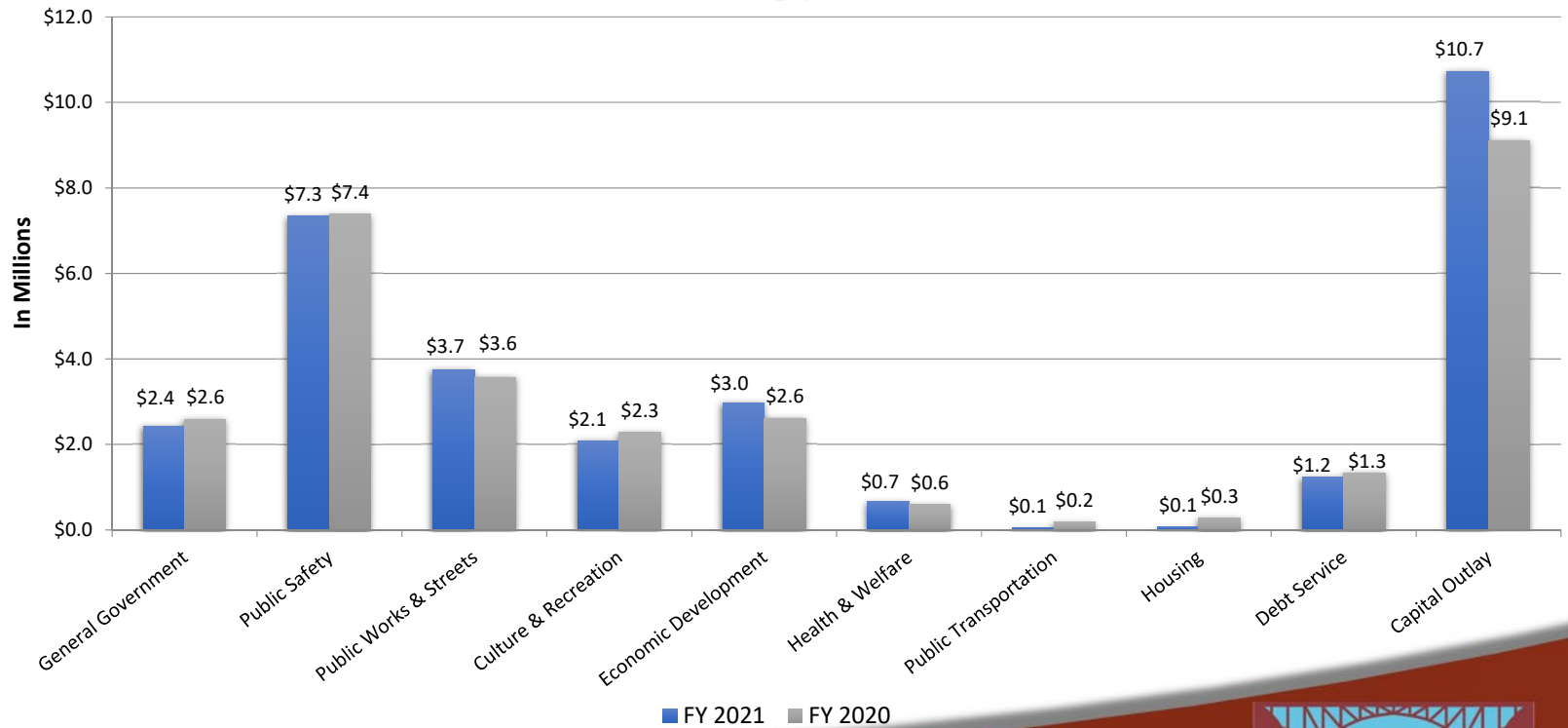
## FY 20-21 ANNUAL FINANCIAL REPORT





# Governmental Expenditures by Function

ACFR pg. 35



## FY 20-21 ANNUAL FINANCIAL REPORT

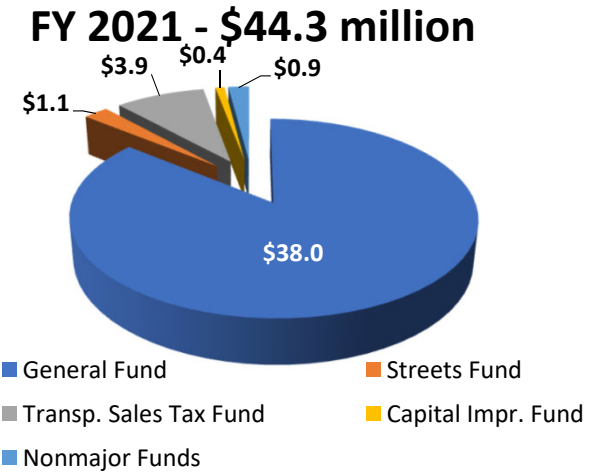
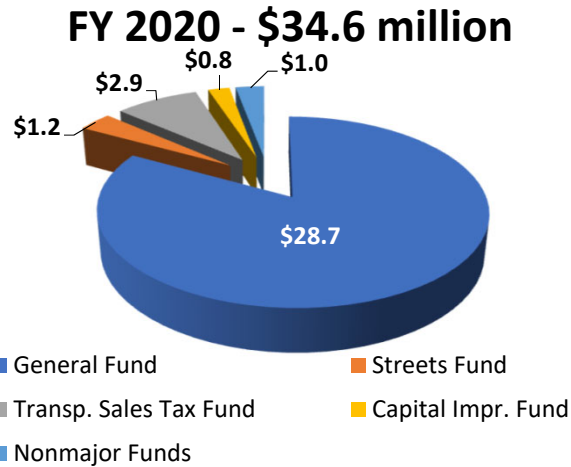






# Governmental Revenues by Fund

ACFR pg. 35



**Governmental Funds revenues increased \$9.7M or 28.1%.**

- Sales tax revenues increased \$10.7M (44%) due to significant increases in tourism since the COVID-19 pandemic.
- Intergovernmental revenues decreased \$1.1M (-18%) due to one-time AZ CARES Act funding received in the prior year.
- Impact Fees revenues increased \$0.2M (38%) due to significant one-time fees for large development projects.
- Investment earnings decreased \$0.6M (-76%) due to lowering of interest rates during the COVID-19 financial crisis.
- Other revenues increased \$0.5M (41%) due to one-time in-lieu contribution collected for affordable housing (\$0.2M) and change in the collection of paid parking citations from Court to Finance (\$0.2M), which eliminated the requirement to split parking citation fine revenues with other agencies.

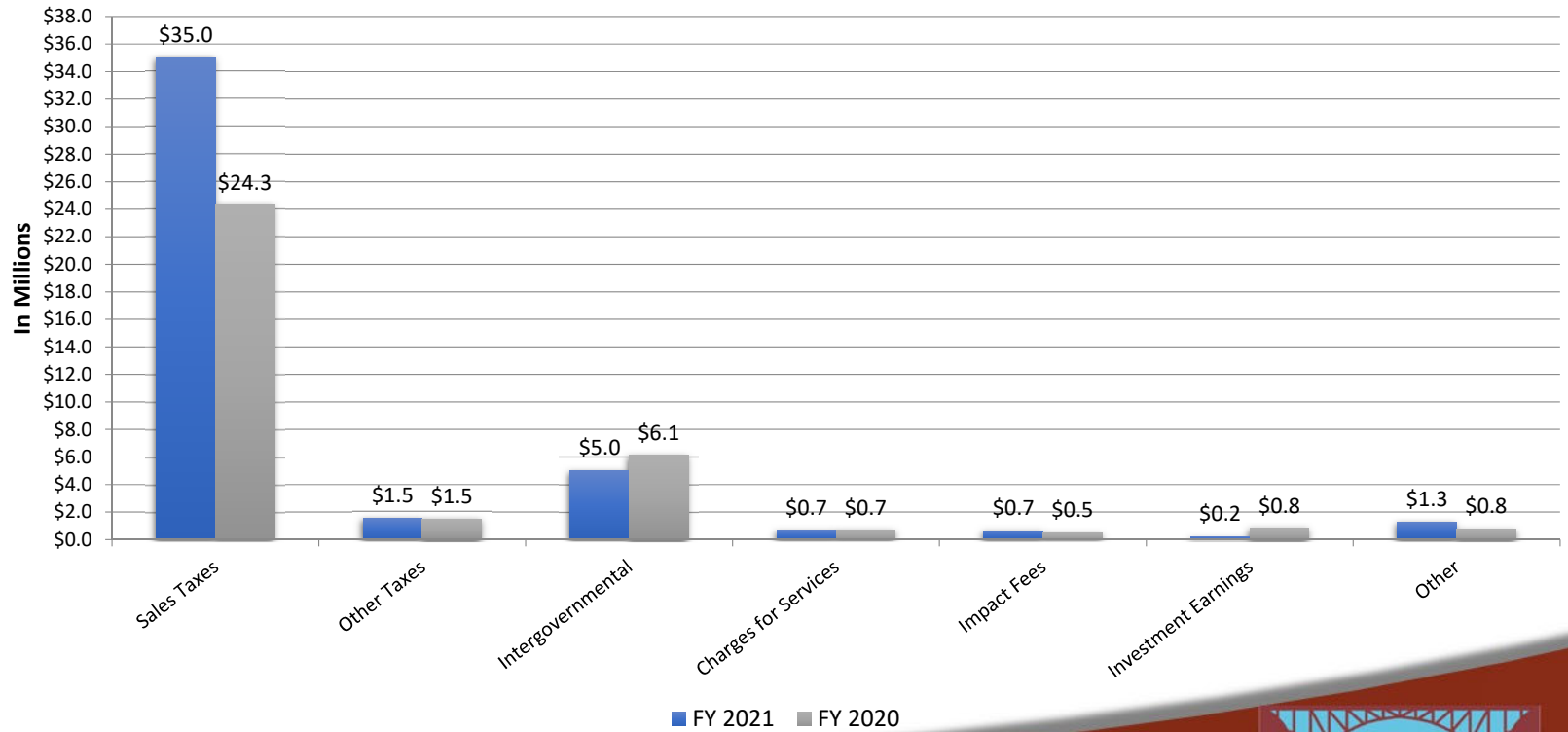
## FY 20-21 ANNUAL FINANCIAL REPORT





# Governmental Revenues by Source

ACFR pg. 35



## FY 20-21 ANNUAL FINANCIAL REPORT

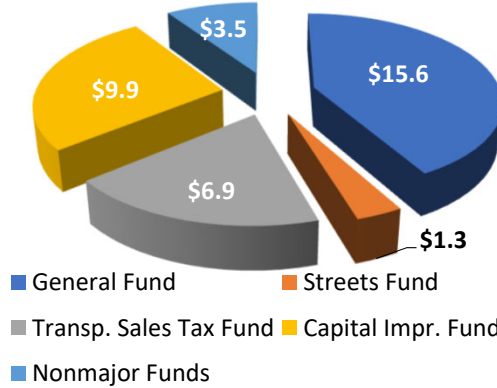




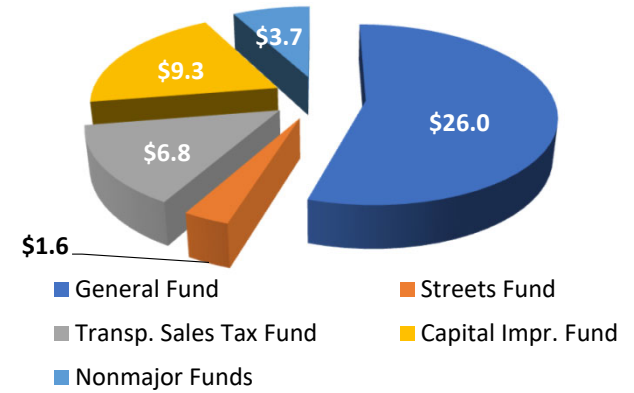
# Governmental Fund Balances

ACFR pg. 33 & 35

**FY 2020 - \$37.2 million**



**FY 2021 - \$47.4 million**



**Governmental fund balances increased \$10.3M or 27.6%.**

- The General Fund balance increased \$10.4M (67%) due to increase in sales tax revenue of \$9.6M as a result of the significant increases in tourism since the COVID-19 pandemic.
- The Streets Fund balance increased \$0.3M (26%) due to the timing of streets projects. Actual miles maintained each year varies based on the projects of highest priority need.
- The Capital Improvements Fund balance decreased \$0.6M (-6%) mainly due to the utilization of balances accumulated for planned capital projects.

# FY 20-21 ANNUAL FINANCIAL REPORT





# General Fund Transfers to Other Funds

ACFR pg. 35 & 57

	Subsidies
<b>Ongoing</b>	
Streets Fund subsidy	\$ 272,840
Wastewater Fund subsidy	3,400,000
Affordable Housing support – Intrafund Transfer	200,000
Capital Improvements Fund support	2,000,000
Paid parking program costs in IT Fund	28,797
<b>One-Time</b>	
Strategic land acquisition – portion of FY19 surplus	2,145,079
Paid parking revenues dedicated to improvements in Uptown	63,604
Less Intrafund Transfers	(200,000)
<b>Totals</b>	<b>\$7,910,320</b>

## FY 20-21 ANNUAL FINANCIAL REPORT





# General Fund Budget Summary

ACFR pg. 37

Sales tax revenues over budget by \$9.0M

- Significant increases in tourism since the COVID-19 pandemic

Bed tax revenues over budget by \$4.0M

- Significant increases in tourism since the COVID-19 pandemic

Intergovernmental revenues over budget by \$0.5M

- Conservative estimates of state shared revenues in reaction to concerns regarding possible negative impacts of the COVID-19 pandemic

FY 20-21  
ANNUAL FINANCIAL REPORT





# General Fund Budget Summary

ACFR pg. 37

Unspent contingencies \$1.3M	
Parks & Recreation expenditures under budget by \$0.3M	<ul style="list-style-type: none"><li>•Cancellation of several special events and recreation programs</li><li>•Closure of the public swimming pool dur the COVID-19 pandemic</li></ul>
Community Development expenditures under budget by \$0.3M	<ul style="list-style-type: none"><li>•Delays in implementation of affordable housing programs</li></ul>
Public Works expenditures under budget by \$0.4M	<ul style="list-style-type: none"><li>•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, delays in facilities maintenance projects</li></ul>
Municipal Court expenditures under budget by \$0.4M	<ul style="list-style-type: none"><li>•Delays in court relocation project</li></ul>

## FY 20-21 ANNUAL FINANCIAL REPORT

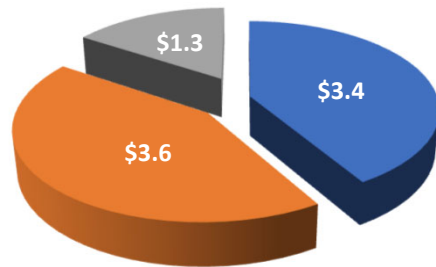




# Wastewater Fund Expenses by Type

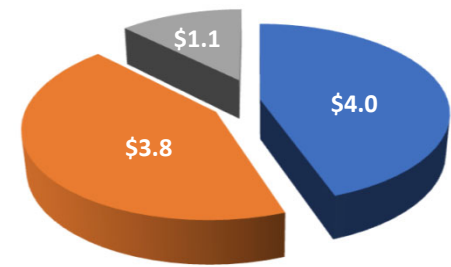
ACFR pg. 41

**FY 2020 - \$8.3 million**



■ Cost of Services ■ Depreciation ■ Interest

**FY 2021 - \$8.9 million**



■ Cost of Services ■ Depreciation ■ Interest

Wastewater Fund expenses increased \$0.6M or 7.1%.

- Cost of Services expenses increased \$0.5M (15%) mostly due to an increase in the unfunded ASRS pension liability.

## FY 20-21 ANNUAL FINANCIAL REPORT

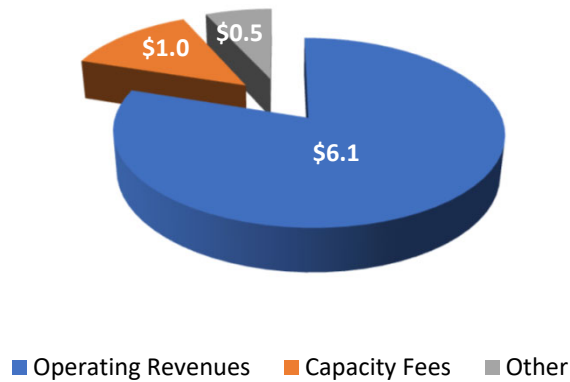




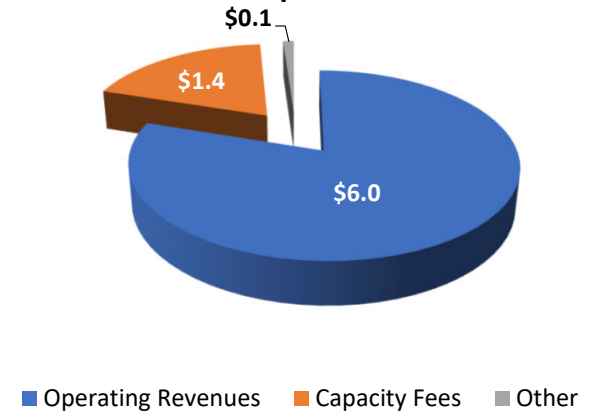
# Wastewater Fund Revenues by Source

ACFR pg. 41

FY 2020 - \$7.6 million



FY 2021 - \$7.6 million



Wastewater Fund revenues decreased <\$0.1M or -0.2%.

- Capacity fee revenues increased \$0.4M (43%) due to new development and commercial connections to the wastewater system.
- Other revenues decreased \$0.4M (-84%) due to lowering of interest rates during the COVID-19 financial crisis and one-time developer contributed sewer lines in the prior year.

## FY 20-21 ANNUAL FINANCIAL REPORT



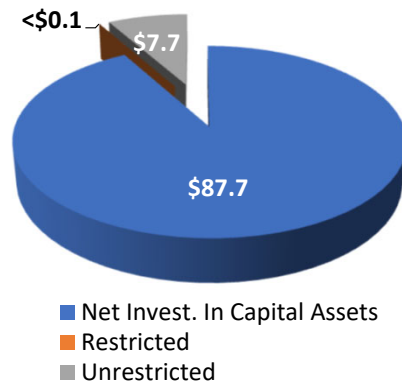




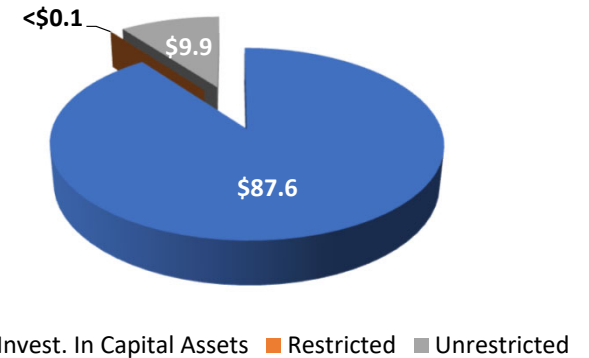
# Wastewater Fund Net Position

ACFR pg. 40 & 41

**FY 2020 - \$95.4 million**



**FY 2021 - \$97.5 million**



Wastewater Fund net position increased \$2.0M or 2.1%.

- Unrestricted net position increased \$2.1M (28%) due to an increase in capacity fees for new development and commercial connections to the wastewater system and ongoing General Fund subsidies.

## FY 20-21 ANNUAL FINANCIAL REPORT





# Wastewater Fund Budget Summary

ACFR pg. 95

## Charges for Services under budget by \$0.2M

- Accommodations made for customers during COVID-19 restrictions

## Capacity Fees under budget by \$0.2M

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

## Salaries & Employee Benefits expenditures under budget by \$0.2M

- Vacancy savings due to freezes in response to the anticipated negative financial impacts of COVID-19

## Supplies & Other expenditures under budget by \$0.5M

- Delays in maintenance costs due to freezes in response to the anticipated negative financial impacts of COVID-19 as well as unused placeholders for any urgent maintenance needs

## Capital Outlay expenditures under budget by \$0.3M

- Delays in CIP projects due to freezes in response to the anticipated negative financial impacts of COVID-19

# FY 20-21 ANNUAL FINANCIAL REPORT

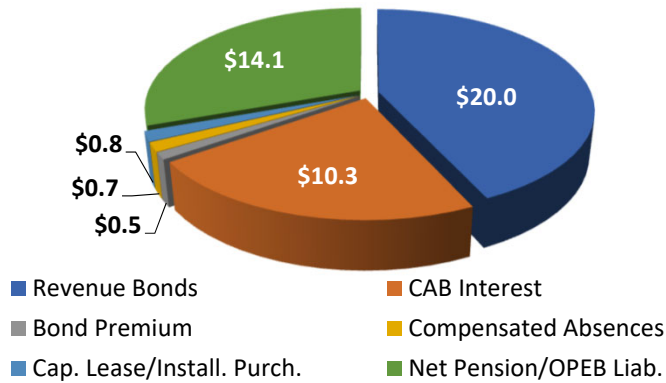




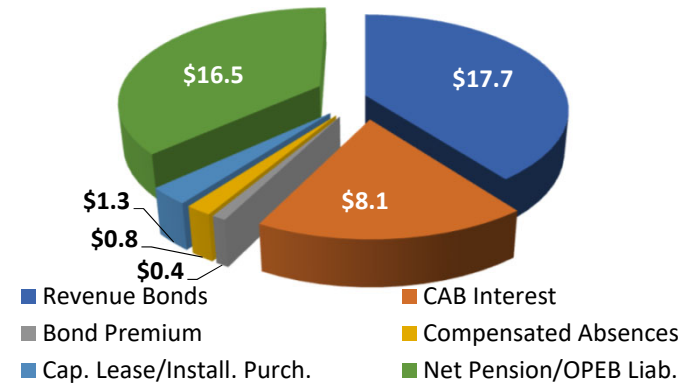
# Long-Term Obligations

ACFR pg. 27 & 60

**FY 2020 - \$46.3 million**



**FY 2021 - \$44.9 million**



Long-term obligations decreased \$1.5M or -3.1%.

- Revenue bonds decreased \$2.2M (-11%) due to scheduled bond payments made during the year.
- Interest on capital appreciation bonds decreased \$2.2M (-21%) due to scheduled bond interest payments made during the year.
- Net pension/OPEB liability increased \$2.4M (17%) due to an increase of \$1.9M (21%) in the ASRS unfunded liability and an increase of \$0.5M (10%) in the PSPRS unfunded liability.

## FY 20-21 ANNUAL FINANCIAL REPORT





# Pledged Revenue Coverage

ACFR pg. 59 & 112

Excise tax revenues pledged to pay revenue bonds

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

Minimum required coverage = 1.5 times

FY 2021 revenue coverage = 6.1 times

FY 20-21  
ANNUAL FINANCIAL REPORT





# Expenditure Limitation Summary

AELR pg. 2

	FY 2021
Expenditure limit	\$51,214,284
Expenditures subject to limit	40,636,727
Amount under limit	\$10,577,557

## FY 20-21 ANNUAL FINANCIAL REPORT

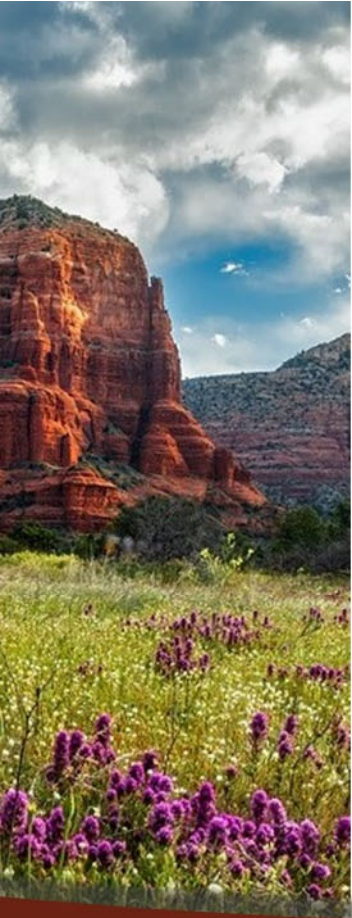




# Audit Results

FY 20-21  
ANNUAL FINANCIAL REPORT





# Questions?

FY 20-21  
ANNUAL FINANCIAL REPORT





**CITY COUNCIL  
AGENDA BILL**

**AB 2757  
January 11, 2022  
Regular Business**

**Agenda Item: 8b**

**Proposed Action & Subject:** Discussion/possible action regarding approval of award of a contract for Curbside Yard Waste Collection to Eco Green Services, LLC, DBA Arborist Standards Tree Care in the approximate amount of \$102,000.

<b>Department</b>	Public Works
<b>Time to Present</b>	10 minutes
<b>Total Time for Item</b>	30 minutes
<b>Other Council Meetings</b>	N/A
<b>Exhibits</b>	A. Contract

City Attorney Approval	Reviewed 1/3/22 KWC	<b>Expenditure Required</b>	
			\$ 102,000
City Manager's Recommendation	Approve award of a contract for Curbside Yard Waste Collection to Eco Green Services, LLC, DBA Arborist Standards Tree Care in the approximate amount of \$102,000.	<b>Amount Budgeted</b>	
			\$ 71,000
		Account No. 10-5320-09-6540 (Description) (Curbside Yard Waste)	\$31,000
		10-5320-39-6771 (Drainage Maintenance Services)	
		Finance Approval <input checked="" type="checkbox"/>	

**SUMMARY STATEMENT**

Staff is requesting approval of a contract with Arborist Standards in the amount of \$102,000 for Curbside Yard Waste Collection.

**Background:** During the development of the City's Climate Action Plan, City Council identified a target of reducing community greenhouse gas emissions 50% by 2030. In the Plan, implementing annual yard waste collection is identified as one of the high impact practices to reduce emissions.

Approximately 24 percent of municipal waste streams are made up of compostable materials like yard waste and food waste. When organic materials, such as food and yard waste (grass clippings, leaves, brush, etc.), rot in the landfill they break down anaerobically (without oxygen) and create large amounts of methane. This flammable greenhouse gas is the same as emitted



through the production of coal, oil, and natural gas. In contrast, composted yard waste can be used as a natural soil fertilizer in municipal operations.



*Debris collected at a residence during the 2019 collection*

In 2019 the city collected tree damage debris, as a snowstorm with rare levels of accumulation resulted in significant tree damage citywide. From this effort many residents expressed a desire to have an annual curbside yard waste collection citywide. This program was first proposed in the following fiscal year 2021. Due to issues related to the COVID-19 pandemic, it was delayed to fiscal year 2022.

**Schedule:**

Yard waste collection will begin in April of 2022 after award of the contract.

**Procurement Method:**

Bids for this project were opened on November 29, 2021. The bid results are below:

<b>BIDDER (OFFICE) LOCATION</b>	<b>BID AMOUNT</b>
PUBLIC WORKS ESTIMATE	\$71,000.00
ARBORIST STANDARDS TREE CARE (SEDONA)	\$102,000.00
LOPEZ CUSTOM LANDSCAPING LLC (CAMP VERDE)	\$119,400.00
TIFFANY CONSTRUCTION CO (SEDONA)	\$137,249.10

City Staff is recommending award of the contract to Arborist Standards in the amount of \$102,000 as the lowest responsive and responsible bidder.

**Budget:**

The amount budgeted for the project is \$71,000, which is less than the low bid. This budget deficit will be covered from available funds in the Streets program area of the operating budget. Some cost for this effort is expected to be offset by a reduction in the pre-monsoon program cost. Considering the curbside effort will take away the need for residents to haul yard waste, the pre-monsoon program effort and cost will be reduced by requiring less debris haul off.

**Community Plan Consistent:** Yes - No - Not Applicable

This program supports the Environmental Stewardship Vision: Approving the curbside yard waste collection will decrease the amount of debris that is going into the landfill.

**Climate Action Plan/Sustainability Consistent:** Yes - No - Not Applicable

Climate Action Plan: Materials and Consumption: Goal: "Increase the diversion of waste from the landfill and reduce GHG emissions associated with the consumption of goods and services." Approving the curbside yard waste collection will decrease the amount of debris that is going into the landfill.

**Board/Commission Recommendation:** Applicable - Not Applicable

**Alternative(s):** Not approving this project will result in not taking a major step in addressing the need to create a more walkable and bike-able community as discussed in many plans and citizen surveys. Not approving this project will also result in necessary roadway and drainage improvements not being made.

**MOTION**

**I move to:** approve award of a contract with Arborist Standards for Curbside Yard Waste Collection in an amount not to exceed \$102,000, subject to approval of a written contract by the City Attorney's Office.

**DEPARTMENTAL CONTRACT FOR SERVICES  
FOR THE CITY OF SEDONA**

This contract is made and entered into on this \_\_\_\_\_ day of \_\_\_\_\_ 2020, by and between the City of Sedona ("CITY") and **Eco Green Services, LLC, DBA Arborist Standards Tree Care** ("CONTRACTOR").

*Services.* The CONTRACTOR promises and agrees to and with the CITY that it shall perform everything required to be performed and shall provide and furnish all the labor, materials, necessary tools, expendable equipment, and all utility and transportation services required to perform and complete in a workmanlike manner all of the work required in connection with **Curbside Yard Waste Collection** Project all in strict accordance with MAG Specifications, if applicable, and in strict compliance with the CONTRACTOR'S Proposal set forth in **Exhibit "A"** (attached), for a contract price not to exceed **\$102,000.00** ("Project"). Contractor shall diligently and continuously prosecute and complete all work under this Contract within the time frame specified by the Proposal.

1. *Contract Documents.* The CONTRACTOR and the CITY agree that the terms, conditions, and covenants of this contract may be supplemented by specific conditions, drawings, and materials lists, if any, which are attached hereto as additional exhibits, and made a part hereof as if fully set forth herein.
2. *Confidential Information.* Subject to Arizona's Public Records Law, all correspondence, reports and other documentation of CONTRACTOR'S work shall be considered confidential information and will be distributed only to those persons, organizations or agencies specifically designated by CITY or its authorized representative, or as specifically required for completion of CONTRACTOR'S task.
3. *Billing and Payment.* Billing and payment will be in accordance with an attached payment schedule or as set out in **Exhibit A**. Invoices are due and payable upon receipt and are delinquent only thirty (30) days after the date received by CITY. Each invoice shall set forth a general description of the work performed, in accordance with the scope of work, for the items billed.
4. *Severability.* In the event any term or provision of this contract is held to be illegal or in conflict with any law of the United States or Arizona or any local law, the validity of the remaining provisions shall not be affected, and this contract shall be construed and enforced as if it did not contain the particular term or provision.
5. *Certification.* CONTRACTOR hereby warrants that it is qualified by experience, necessary work force, and materials to assume the responsibilities and render the services described herein. CONTRACTOR shall execute the required affidavit of lawful presence as set forth in ARS 1-502/8 USC § 1621 [Exhibit B]
6. *Compliance with Local Rules and Regulations.* It is contemplated that the work and services to be performed by CONTRACTOR hereunder shall be done in compliance with applicable laws, ordinances, rules and regulations that are in effect on the date of this contract. Any subsequent changes in applicable laws, ordinances, rules or regulations that necessitate additional work shall constitute a change in the scope of work.
7. *Indemnification.* To the fullest extent permitted by law, CONTRACTOR shall indemnify and hold harmless CITY, and each council member, officer, employee or agent thereof (CITY and any such person being herein called an "Indemnified Party"), for, from and

against any and all losses, claims, damages, liabilities, costs and expenses (including, but not limited to, reasonable attorneys' fees, court costs and the costs of appellate proceedings) to which any such Indemnified Party may become subject, under any theory of liability whatsoever ("Claims") to the extent that such Claims (or actions in respect thereof) are caused by the negligent acts, recklessness or intentional misconduct of the CONTRACTOR, its officers, employees, agents or any tier of subcontractor in connection with CONTRACTOR's work or services in the performance of this contract. The amount and type of insurance coverage requirements set forth below will in no way be construed as limiting the scope of the indemnity in this paragraph.

8. *Insurance.* The CONTRACTOR agrees to procure and maintain in force during the term of this contract, at its own cost, the following coverage, as may be requested by the CITY, either in the initial bid, or prior to commencement of particular tasks. The policies shall name the CITY and its agents and employees as **additional insured** and contain a **waiver of subrogation** endorsement.
  - a. Worker's Compensation Insurance as required by the Title 23, Chapter 6, of the Arizona Revised Statutes.
  - b. Commercial General or Business Liability Insurance (Occurrence Form) with minimum combined single limits of ONE MILLION DOLLARS (\$1,000,000.00) each occurrence and TWO MILLION DOLLARS (\$2,000,000.00) general aggregate.
  - c. Automobile Liability Insurance with minimum combined single limits for bodily injury and property damage of not less than ONE MILLION DOLLARS (\$1,000,000.00) for any one occurrence, **if** CONTRACTOR'S owned or hired vehicles will be assigned to or used in performance of the services.
  - d. Professional Liability coverage with minimum limits of FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00) each claim and ONE MILLION DOLLARS (\$1,000,000.00) general aggregate, **if** professional services are utilized by the CONTRACTOR for design and performance of the Project. If approved by CITY, evidence of qualified self-insured status may be substituted for one or more of the foregoing insurance coverages. In the event the policy is written on a "**claims made**" basis, the CONTRACTOR warrants that any **retroactive date** shall precede any work on the Project.
9. *Non-Assignability.* Neither this contract, nor any of the rights or obligations of the parties hereto, shall be assigned by either party without the written consent of the other.
10. *Termination.* This contract shall terminate at such time as the work in the scope of work is completed or upon CITY providing CONTRACTOR with seven (7) days advance written notice, whichever occurs first. In the event the contract is terminated by CITY's issuance of said written notice of intent to terminate, CITY shall pay CONTRACTOR for all work previously authorized, performed and accepted prior to the date of termination. If, however, CONTRACTOR has substantially or materially breached the standards and terms of this contract, CITY shall have any remedy or right of set-off available at law and equity. CITY shall owe no other payments, including any payment for lost profit or business opportunity, and no penalty, to CONTRACTOR in the event of termination upon notice.

11. *Venue.* The laws of the State of Arizona shall govern this contract, and any legal action concerning the provisions hereof shall be brought in the County of Coconino, State of Arizona.
12. *Independent Contractor.* CONTRACTOR is an independent contractor. Notwithstanding any provision appearing in this contract, and any exhibits and/or addenda, all personnel assigned by CONTRACTOR to perform work under the terms of this contract shall be, and remain at all times, employees or agents of CONTRACTOR for all purposes. CONTRACTOR shall make no representation that it is the employee of CITY for any purpose.
13. *Performance Standards.* CONTRACTOR shall perform the services in **Exhibit A** in a good and workmanlike manner and in conformity with the best standards of its industry. The CITY in its sole discretion may cancel this agreement if the CONTRACTOR fails to meet the specifications for the materials and timely complete assigned tasks.
14. *Entire Agreement.* This contract, together with the attached exhibits," is the entire agreement between CONTRACTOR and CITY, superseding all prior oral or written communications. None of the provisions of this contract may be amended, modified or changed except by written amendment executed by both parties.
15. *Non-Discrimination.* Contractor, its agents, employees, and subcontractors, shall not discriminate in any employment policy or practice. "Discrimination" means to exclude individuals from an opportunity or participation in any activity or to accord different or unequal treatment in the context of a similar situation to similarly situated individuals because of race, color, gender, gender identity, sexual orientation, religion, national origin or ancestry, marital status, familial status, age, disability, or veteran status. (Ordinance 2015-10 (2015)).
16. *Compliance with State and Federal Laws:*

CONTRACTOR understands and acknowledges the applicability to it of the Americans with Disabilities Act, the Immigration Reform and Control Act of 1986 and the Drug Free Workplace Act of 1989. The following is only applicable to construction contracts: CONTRACTOR must also comply with A.R.S. § 34-301, "Employment of Aliens on Public Works Prohibited," and A.R.S. § 34-302, as amended, "Residence Requirements for Employees."

- a. Under the provisions of A.R.S. § 41-4401, CONTRACTOR hereby warrants to CITY that CONTRACTOR and each of its subcontractors will comply with, and are contractually obligated to comply with, all Federal Immigration laws and regulations that relate to their employees and A.R.S. § 23-214(A) (hereinafter "Contractor Immigration Warranty").
- b. A breach of the Contractor Immigration Warranty shall constitute a material breach of this contract and shall subject CONTRACTOR to penalties up to and including termination of this contract at the sole discretion of CITY.
- c. CITY retains the legal right to inspect the papers of any contractor or subcontractor employee who works on this contract to ensure that the contractor or subcontractor is complying with the Contractor Immigration Warranty. CONTRACTOR agrees to assist CITY in regard to any such inspections.
- d. CITY may, at its sole discretion, conduct random verification of the employment

records of CONTRACTOR and any subcontractors to ensure compliance with Contractor's Immigration Warranty. CONTRACTOR agrees to assist CITY in regard to any random verification performed.

- e. Neither CONTRACTOR nor any subcontractor shall be deemed to have materially breached the Contractor Immigration Warranty if CONTRACTOR or any subcontractor establishes that it has complied with the employment verification provisions prescribed by sections 274A and 274B of the Federal Immigration and Nationality Act and the E-Verify requirements prescribed by A.R.S. § 23-214, Subsection A.
  - f. The provisions of this article must be included in any contract that CONTRACTOR enters into with any and all of its subcontractors who provide services under this contract or any subcontract. "Services" are defined as furnishing labor, time or effort in the State of Arizona by a contractor or subcontractor. Services include construction or maintenance of any structure, building or transportation facility or improvement to real property.
17. *Dispute Resolution.* The parties shall follow the dispute resolution procedures of Chapter 3.10 of the Sedona City Code.
18. *Delays.* CONTRACTOR shall not be responsible for delays that are due to causes beyond CONTRACTOR'S reasonable control. In case of any such delay, any deadline established as part of the scope of work shall be extended accordingly as may be agreed by the CITY.
19. *Attorneys' Fees and Costs.* Should any legal action, including arbitration, be necessary to enforce any term of provision of this contract or to collect any portion of the amount payable hereunder, then all expenses of such legal action or collection, including witness fees, costs of the proceedings and attorneys' fees, shall be awarded to the substantially prevailing party.
20. *Conflict of Interest.* From the date of this contract through the termination of its service to Sedona, CONTRACTOR shall not accept, negotiate or enter into any contract or agreements for services with any other party that may create a substantial interest, or the appearance of a substantial interest in conflict with the timely performance of the work or ultimate outcome of this contract and/or adversely impact the quality of the work under this contract without the express approval of the City Manager and the City Attorney. Whether such approval is granted shall be in the sole discretion of the City Manager and the City Attorney. The parties hereto acknowledge that this Contract is subject to cancellation pursuant to the provisions of ARS § 38-511.
21. *Notice.* Any notice or communication between CONTRACTOR and CITY that may be required, or that may be given, under the terms of this contract shall be in writing, and shall be deemed to have been sufficiently given when directly presented or sent pre-paid, first class United States Mail, addressed as follows:

CITY: City of Sedona  
Attention: City Manager  
102 Roadrunner Drive  
Sedona AZ 86336

CONTRACTOR: Arborist Standards Tree Care  
PO Box 1294  
Cottonwood, AZ 86326

22. *Offsets.* During the performance of this Agreement, CONTRACTOR may also be under contract with the CITY for performance of work on other projects. A breach in the performance of any of CONTRACTOR'S obligations under this Agreement shall constitute a breach of CONTRACTOR'S obligations under any other agreement with the CITY and the breach by CONTRACTOR under other agreement with the CITY shall also constitute a breach of CONTRACTOR'S obligations under this Agreement. The CITY may offset any amounts owed by CONTRACTOR under any such other agreement from any amounts owed to CONTRACTOR under this Agreement, or any delinquent wastewater fees or transaction privilege taxes owed to the City.
23. *Notice to Proceed.* Unless otherwise noted by CITY, acceptance of this contract is official notice to proceed with the work.
24. *Licensing.* CONTRACTOR shall maintain a valid license through the Arizona Registrar of Contractors for all types of work or services for the project as set forth in ARS 32-1122 and related provisions and shall also obtain a business license for the City of Sedona.

CITY OF SEDONA, ARIZONA

Eco Green Services, LLC DBA Arborist Standards Tree Care

\_\_\_\_\_  
Karen Osburn  
City Manager

By: \_\_\_\_\_

Title: \_\_\_\_\_

ATTEST:

I hereby affirm that I am authorized to enter into and sign this contract on behalf of CONTRACTOR

\_\_\_\_\_  
City Clerk

APPROVED AS TO LEGAL FORM:

\_\_\_\_\_  
City Attorney

**EXHIBIT/S**

**Exhibit A**

- X **Quote Response Form Including Project Phases, Costs, and Payment Schedules**



## Curbside Yard Waste Collection

**Job Quote Request #PW22-018**

**Date sent: October 26, 2021**

**Date due: November 29, 2021**

- 1) Tiffany Construction  
75 Kallof Place, Suite 101  
Sedona, AZ 86336  
Email: [Radams@tiffanyconst.com](mailto:Radams@tiffanyconst.com)
- 2) Arborist Standard Tree Care  
P.O. Box 1294  
Cottonwood, AZ 86326  
Email: [arboriststandards@gmail.com](mailto:arboriststandards@gmail.com)
- 3) Bob's Tree & Landscape  
211 Smith Road  
Sedona, AZ 86336  
Email: [bobstreeandlandscaping@yahoo.com](mailto:bobstreeandlandscaping@yahoo.com)
- 4) Landscape Magic  
185 Coffee Pot Drive  
Sedona, AZ 86336  
Email: [landscapemagic@gmail.com](mailto:landscapemagic@gmail.com)
- 5) Lopez Custom Landscaping  
425 W. Sunshine Road  
Camp Verde, AZ 86322  
Email: [lopezvaldez10@gmail.com](mailto:lopezvaldez10@gmail.com)
- 6) J. Banicki Construction, Inc.  
4720 E. Cotton Gin Loop, Suite 240  
Phoenix, AZ 85040  
Email: [ddavis@banicki.com](mailto:ddavis@banicki.com)
- 7) Waste Management  
FCHOA@wm.com
- 8) Patriot Disposal  
custserve@patriotdisposal.com

### INSTRUCTIONS TO BIDDERS:

1. Fill out Job Quote Request Form and sign on page two. Both pages must be received no later than 5:00 p.m. on Monday, November 29, 2021.
2. Review attached Departmental Contract for Services. This contract will be used with awarded bid. The Contract is only for review at this time. The actual Contract will be sent to the Contractor who is awarded the project.
3. If you have questions, please contact the Project Manager, Ryan Hayes at (928) 451-1257 or [rhayes@sedonaaz.gov](mailto:rhayes@sedonaaz.gov).
4. A mandatory pre-bid meeting will be held at 1:00 p.m. on Monday, November 8, 2021 in the City Maintenance Conference Room, 2070 Contractors Road, Sedona, AZ.
5. Work to be performed within 6 weeks of Notice to Proceed. NTP currently expected April 1, 2022.



Exhibit A

CITY OF SEDONA JOB QUOTE REQUEST FORM

**PROJECT: Curbside Yard Waste Collection**  
**Due by: 5:00 p.m. Monday, November 29, 2021**  
**JOB QUOTE REQUEST #PW22-018**

**JOB LOCATION: Sedona, AZ 86336**

DESCRIPTION (JOB SCOPE)	QTY	UNIT	UNIT PRICE	NOT TO EXCEED TOTAL PRICE (Bid prices submitted shall be held for forty-five days and are considered to have included all local, state and federal taxes)
<b>BASE BID - Company Name:</b> <u>Arborist Standards Tree Care</u>				
City wide curbside yard waste collection. Yard Waste includes brush, tree limbs, shrub trimmings, bagged leaves and pine needles from each resident city-wide. See map attached.	30	Zones	4- 5 person crew Vermeer BC 1800- (large capacity -high volume chipper) Dump trailer- for bags and debris that	
Mulching/Chipping all debris. Debris can be dumped at Wastewater Treatment Plant.	30	Zones	can't be chipped Vermeer mini skid with branch manager attachment for mechanically loading	
Per addendum: Max size branches no larger than 8 inches			larger piles save labor time	
No more than 10 bags per property			2 chipper trucks operating in tandem- no dump time between dump runs maximum productivity.	
No root balls				Day rate: \$3400
<b>TOTAL BASE BID</b>				\$ Total for 30 days: \$102,000
<b>BID ALTERNATES</b>				
Hauling all debris to dump without mulching.	30	Zones		
<b>TOTAL BID ALTERNATES</b>				\$
<b>TOTAL BASE BID + BID ALTERNATES</b>				\$

\*Require 30% down payment upon contract approval to hold time due 30 days prior to start date

The City of Sedona reserves the right to decide any combination of base and/or bid alternates to award. The City also reserves the right to not award the project at all.

**Special Provisions:**

1. All labor and materials will be supplied by Contractor except as noted above.
2. All work shall comply with COS City Code. Specifically, Sections 12 and 13, pertain to street and utility work.
3. An erosion and sediment control plan also known as SWPPP and C.O.S. NOI permit will be provided by contractor prior to beginning work. To be approved by Public Works.
4. All work performed will require inspections by the City of Sedona.
5. Coordinate work schedule with Project Manager.
6. If changes in the scope of work are required, a change order shall be requested prior to performing work. The change shall describe the change in the work scope including deletions of work in the originally awarded scope. Compensation for the work will be by one of the following methods: (a) agreed lump sum (b) itemized list with compensation per unit (c) time and materials not to exceed (d) time and materials, the method of compensation shall be stated in the change order. This compensation shall be considered full compensation for the scope of change.
7. The City of Sedona reserves the right to request supporting documentation for billed amounts.
8. The Contractor shall be aware that other construction projects may be occurring simultaneously and work by others shall be accommodated.
9. The awarded contractor is responsible for all project safety, safety materials, and safety equipment, to protect the City of Sedona, the general public, the contractor and its employees.
10. All work and materials shall be warrantied a minimum of 2 years.
11. Work hours are 7 am to 6 pm Monday-Thursday. Friday work may be approved, upon request, by City Engineer. Work is not to be scheduled for any holidays recognized by the City of Sedona.
12. **All work shall be completed within 6 weeks from Notice to Proceed. Liquidated damages of \$50/day apply thereafter.**
13. Once the contractor is notified of their selection as the lowest responsive bidder, that the contract should be executed, and insurance and other information provided, this information shall be provided within three business days. Failure to provide the requested documents within three business days may be deemed by the City as a rejection by the Contractor of the City's offer to enter into a contract, in which case the City is authorized to negotiate with the next lowest and responsive bidder.
14. City to approve dates of service prior to providing notice to proceed.

CONTRACTOR WILL ACCEPT CREDIT CARD PAYMENT: \_\_\_\_\_ FEE CHARGED: \_\_\_\_\_

Company Name: Arborist Standards tree care

Address: P.O. Box 1294

Cottonwood 86326


9285923477

Phone

Fax

Submitted by: Joshua Favrow

Print Name

  
\_\_\_\_\_  
Signature

1-4-21

Date

L20078237

ROC #

The quote we have provided is for one day per unit



## City of Sedona Public Works Department

102 Roadrunner Drive Sedona, AZ 86336

(928) 204-7111 • Fax: (928) 282-5348

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### To Whom It May Concern:

The City of Sedona, Arizona is issuing **Addendum #1** to the plans and specifications as originally issued at the time of solicitation for bids for the **Curbside Yard Waste**. For any bid to be considered responsible and responsive, receipt of this addendum must be acknowledged.

As specified in the Instructions to Bidders, this Addendum, upon issuance, has become a part of the Contract Documents.

This Addendum contains 2 pages including this page, 0 changed bid sheets, 0 plan sheets, and 0 additional Technical Specification. Any changed bid sheets shall be used in lieu of the originally issued bid sheets in order to submit a responsive bid.

*This Addendum clarifies the following:*

1. Information for and Instructions to Bidders, Page 4: All blank spaces for the bid prices must be filled in (legibly), in ink or typewritten. The pricing can be entered in numbers only (writing the pricing in words is not required).
2. Maximum size branches to be collected will be no larger than 8 inches.
3. Maximum number of bags at each location will be no more than 10.
4. No root balls will be accepted.
5. Bidders must list equipment and crew composition in their bid.
6. The work will occur in April of 2022.

**ACKNOWLEDGEMENT**

Curbside yard waste collection

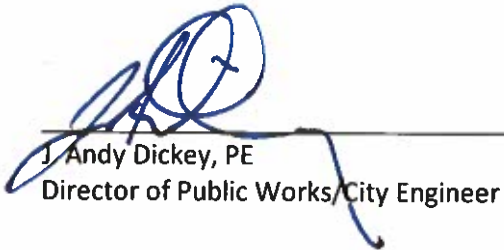
I have received **Addendum #1** for the \_\_\_\_\_  
**Project** as described above, and acknowledge it as part of the Contract Documents for the project.

  
\_\_\_\_\_  
Signature

**11-29-21**  
\_\_\_\_\_  
Date

Arborist Standards Tree Care  
Print Business Name

Addendum # 1 issued by J. Andy Dickey, PE, Director of Public Works/City Engineer, City of Sedona.

  
\_\_\_\_\_  
J. Andy Dickey, PE  
Director of Public Works/City Engineer

11/24/2021  
Date



**CITY COUNCIL  
AGENDA BILL**

**AB 2759  
January 11, 2022  
Regular Business**

**Agenda Item:** 8c  
**Proposed Action & Subject:** Discussion/possible direction/action regarding proposed State legislation, short-term rental legislation and State budget and their potential impact on the City of Sedona.

**Department** City Manager  
**Time to Present** 10 Minutes  
**Total Time for Item** 15 Minutes  
**Other Council Meetings** None  
**Exhibits** None

City Attorney Approval	Reviewed 1/3/22 KWC	<b>Expenditure Required</b>	
		\$	0
City Manager's Recommendation	For information and discussion only. No action is required.	<b>Amount Budgeted</b>	
		\$	0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

**SUMMARY STATEMENT**

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

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

**Community Plan Consistent:**  Yes -  No -  Not Applicable

**Board/Commission Recommendation:**  Applicable -  Not Applicable

**Alternative(s):**

**MOTION**

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



**CITY COUNCIL  
AGENDA BILL**

**AB 2571  
January 11, 2022  
Regular Business**

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

<b>Department</b>	City Manager
<b>Time to Present</b>	10 minutes
<b>Total Time for Item</b>	15 minutes
<b>Other Council Meetings</b>	March 24, 2020, April 14, 2020, April 28, 2020, May 12, 2020, May 26, 2020, June 9, 2020, June 23, 2020, July 14, 2020, July 28, 2020, August 11, 2020, September 8, 2020, September 22, 2020, October 13, 2020, October 27, 2020, November 10, 2020, November 24, 2020, December 9, 2020, January 12, 2021, January 26, 2021, February 9, 2021, February 23, 2021, March 9, 2021, March 23, 2021, April 13, 2021, April 27, 2021, May 11, 2021, May 25, 2021, June 8, 2021, June 22, 2021, July 13, 2021, July 27, 2021, August 10, 2021, September 14, 2021, September 28, 2021, October 12, 2021, October 26, 2021, November 9, 2021, November 23, 2021, December 14, 2021
<b>Exhibits</b>	None

City Attorney Approval	Reviewed 1/3/22 KWC	<b>Expenditure Required</b>	
		\$	0
City Manager's Recommendation	For information and discussion only. No action is required.	<b>Amount Budgeted</b>	
		\$	0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

**SUMMARY STATEMENT**

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

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

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

**Community Plan Consistent:**  Yes -  No -  Not Applicable

**Climate Action Plan/Sustainability Consistent:**  Yes -  No -  Not Applicable

**Board/Commission Recommendation:**  Applicable -  Not Applicable

**Alternative(s):** N/A

**MOTION**

**I move to:** for discussion and possible direction only.