



# 2023

## ANNUAL COMPREHENSIVE FINANCIAL REPORT

City of Sedona, Arizona  
for fiscal year ending June 30, 2023



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CITY OF SEDONA, ARIZONA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2023

Prepared by:  
Financial Services Department

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# CITY OF SEDONA, ARIZONA

For the Year Ended June 30, 2023

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## **INTRODUCTORY SECTION**

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

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December 28, 2023

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

We are pleased to submit to you the fiscal year 2023 Annual Comprehensive Financial Report (ACFR) 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, 2023, 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, 2023, 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 9,790. 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 absent actions to address housing affordability. 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 exploded, short-term rentals displaced full-time residents, and housing prices that were already high increased 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, tourism and economic development services, housing programs, sustainability programs, 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 as cost-effective to operate as a City function. Partner-operated functions include library services, community center operations, special needs transportation, animal shelter services, a visitors' 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. In August 2022, the citizens of Sedona again reauthorized the Home Rule option, which will be effective for fiscal years 2024 through 2027.

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

Mandated closures in response to the COVID-19 pandemic occurred during mid-March 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. After reopening, the tourism activity returned and far exceeded prior highs to the point that the City Council placed a hold on destination marketing for fiscal year 2022. However, the fiscal year 2022 sales taxes were up 18% and bed taxes were up 25% resulting in the highest year the City had ever seen. As a result, the City Council continued the hold on destination marketing for fiscal year 2023. For fiscal year 2023, sales taxes were down 3% and bed taxes were down 4%. The decrease was likely due to the reopening of Europe, significant inflation possibly impacting the amount of travel, talk of a coming recession possibly impacting the amount of travel, and the City's hold placed on destination marketing.

With inflation tapering off and decreased talk of a recession, the first quarter of fiscal year 2024 showed sales taxes up 4% and bed taxes up 9%. While Sedona has been impacted by prior recessions and seen some decreases in sales and bed taxes, the local economy continues to maintain a high level of resiliency and quickly recovers from any downturns. After several years of reduced and then fully eliminated destination marketing, the City will pursue some strategic, targeted, and measurable marketing efforts focused on bolstering visitation during the slower summer and winter seasons. This will be initiated by the City's new in-house Tourism Bureau discussed in the *For the Future* section of this letter.

### **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, sales and bed tax revenues comprise approximately 82% of the General Fund revenues.

The City's unrestricted sales tax rate is currently at 3% and the sales tax rate restricted for transportation is 0.5%. Sales tax revenues decreased 3% in fiscal year 2023, after increases of 18% and 38% in the two previous fiscal years. Due to the highly desirable location, sales tax revenues are expected to continue at strong levels, barring any significant recessions.

The City also has a 3.5% bed tax (transient occupancy), which is allocated to the General Fund. The bed tax rate was increased from 3% to 3.5% effective January 1, 2014. Since fiscal year 2019, the marketing efforts have been reduced and eventually eliminated in fiscal year 2022, and more effort has been placed on the management of tourism to achieve a sustainable balance. Bed revenues decreased 4% in fiscal year 2023, after increases of 25% and 72% in the two previous fiscal years.

As discussed above, the City will pursue some marketing efforts focused on bolstering visitation during the slower summer and winter seasons.

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 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 \$34.0 million capital improvement program for fiscal year 2024 includes \$20.8 million for streets and transportation related improvements, \$5.2 million for wastewater projects, \$3.8 million for park projects, and \$1.8 million for public transit projects.

Unassigned fund balance in the General Fund at June 30, 2023 was 48% of General Fund 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, etc.) will be determined in the next budget cycle process for fiscal year 2025.

#### 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 2023 adopted budget projected General Fund surplus balances at the end of the year of \$24.0 million. At June 30, 2023, all the City's policy reserves were fully funded and General Fund surplus balances exceeding policy requirements at the end of the year were \$19.0 million.

During the fiscal year 2024 budget process, the remaining General Fund surplus attributable to fiscal year 2022 of \$8.3 million and a portion of the projected surplus for 2023 of \$4.9 million were allocated to affordable housing initiatives and an additional one-time contribution toward the Public Safety Personnel Retirement System (PSPRS) unfunded liability. The remaining \$5.8 million of the surplus for fiscal year 2023 will be allocated during the fiscal year 2025 budget process.

### **Major Initiatives and Service Efforts and Accomplishments for the Year**

During fiscal year 2023, 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 2023:

#### Police

- Completed remodel and expansion of the police facility.
- Exceeded the state's investigation clearance rates for violent crimes by 65%.
- Exceeded the state's investigation clearance rates for property crimes by 26%.

#### Public Works

- Continued implementation of Transportation Master Plan projects, including several bicycle/pedestrian improvements.
- Completed 7.0 miles of streets rehabilitation and pavement preservation projects.
- Increased the number of days of traffic control operations deployed.
- Assisted with traffic and parking control at trailheads.

#### Community Development

- Held a successful community forum for the 10-year Community Plan update, with approximately 350 people in attendance.
- Built an interactive website for the 10-year Community Plan update for project information and public outreach ([www.plansedona.com](http://www.plansedona.com))
- Approximately 670 code enforcement cases processed.
- Completed approximately 4,400 building inspections.

#### Parks & Recreation

- Added a disc golf program and permanent course.
- Began expansion of and improvements to the dog park.

#### Wastewater

- Maintained regulatory compliance.
- Completed construction of the Juniper Trail sewer extension project, allowing for the connection of up to 31 properties.
- Collected and processed approximately 1.2 million gallons of wastewater per day.

### Sustainability

- Installed four direct current (DC) fast electric vehicle charging stations at Posse Grounds Park, the first DC fast chargers for the City of Sedona.
- Entered the Green Power Partner Program with Arizona Public Service (APS) to source renewable energy.
- Launched a pool of six electric bikes for municipal operations.

### Housing

- Launched Rent Local program and deed restriction program.
- Hope House project awarded 2022 Housing Hero Award.
- Acquired land for multi-family development and negotiated with developer to submit the Low-Income Housing Tax Credit (LIHTC) program application for 30 units of affordable housing.
- Awarded CDBG funds to Steps to Recovery Homes for a transitional housing project.

### Public Transit

- Trailhead shuttle program launched in March 2022 achieved over 250,000 within first 200 days of operation.
- Acquired land with parking lot improvements for a trailhead shuttle park-and-ride stop on north State Route 179.

### Municipal Court

- Remodeled and relocated to new court facility.

### Management Services

- Acquired 41 acres of land for possible affordable/workforce housing development, community gathering spaces, open space preservation, and other potential private-use development.
- Hired a legislative advocate to represent the City regarding affordable housing concerns during the 2023 legislative session.
- Produced two videos of the City's accomplishments and City Council's priorities.
- Developed short-term rental annual permitting program, and permitted majority of Sedona short-term rentals during the first two months of program launch.

### **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 2024 budget process. Some of the fiscal year 2024 priorities include completing various transportation improvements, continued implementation of a public transit system, addressing affordability of housing and homelessness issues, continued implementation of environmental stewardship/sustainability initiatives, creation of a City-operated tourism bureau discussed below, improving citizen communications and relations, monitoring and assessing impacts of short-term rentals and identifying opportunities for mitigating the negative impacts, exploring options and potential providers to bring better internet connectivity to the community, continuing efforts around emergency preparedness including evacuation planning, continuing the update of the Community Plan, acceleration of the Brewer Road park build-out, and replacement of the City's enterprise resource planning (ERP) system.



In April 2023, the Sedona Chamber of Commerce & Tourism Bureau (SCC&TB) gave notice that they would not pursue renewal of their contract to serve as the City's Tourism Bureau. Shortly after, the City Council designated the City as the official Destination Marketing Organization (DMO) for Sedona. Bringing the Tourism Bureau in-house provides an opportunity to address tourism and its impacts on the community in a more holistic manner. In October 2023, the City Council appointed an 11-member tourism advisory board to advise the Council and staff on decisions related to tourism strategic planning, branding and marketing, visitor management programs, regional tourism efforts, and any other tourism-related matters. One of the primary goals of establishing this advisory body was to ensure sufficiently broad diversity in representation, perspectives, and opinions.

**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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. This was the 24th 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 Annual Comprehensive 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 2023. 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,

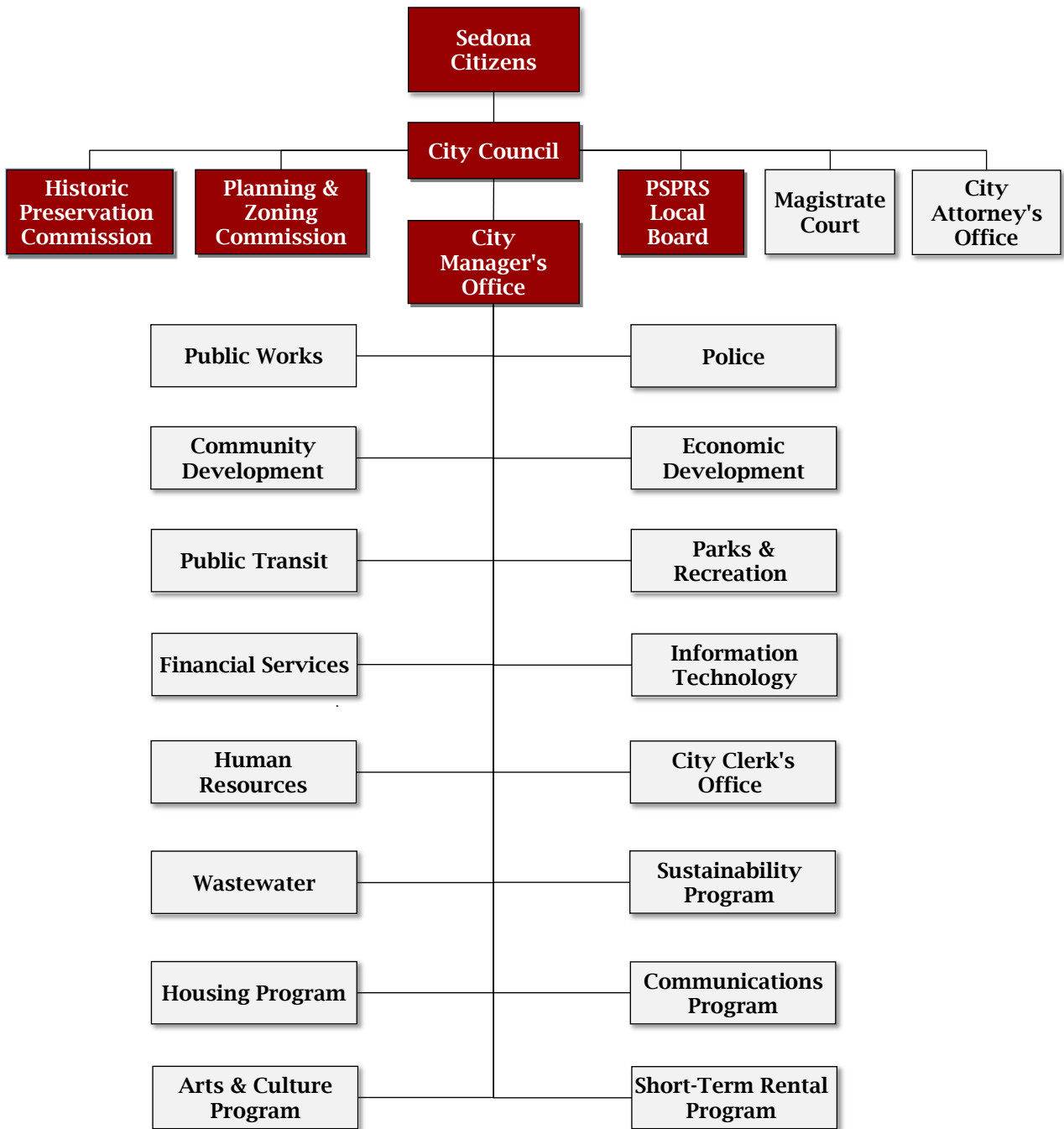


Karen Osburn  
City Manager



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

**CITY OF SEDONA, ARIZONA  
ORGANIZATIONAL CHART  
JUNE 30, 2023**



**CITY OF SEDONA, ARIZONA**  
**LIST OF ELECTED AND APPOINTED OFFICIALS**  
**JUNE 30, 2023**

Scott Jablow  
*Mayor*

Holli Ploog  
*Vice Mayor*

*Councilmembers*

Melissa Dunn

Brian Fultz

Pete Furman

Kathy Kinsella

Jessica Williamson

Karen Osburn  
*City Manager*

J. Andy Dickey  
*Deputy City Manager*

Cherie R. White, CPA, CGFM  
*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, 2022

*Christopher P. Morill*

Executive Director/CEO

**FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter – Change in Accounting Principle***

As discussed in Note 1 to the financial statements, effective July 1, 2022, the City adopted new accounting guidance for Subscription-Based Information Technology Arrangements. The guidance requires the recognize a right to use subscription asset and corresponding subscription liability for all arrangements with terms greater than 12 months. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



***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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary 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 statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 GAAS. In our opinion, the combining and individual nonmajor fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

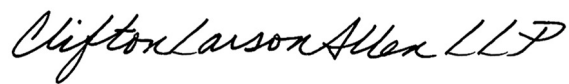
Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
December 28, 2023

**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF SEDONA, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023**

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, 2023. 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 2023 and 2022 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 years 2023 and 2022 by \$233.8 million and \$211.5 million (net position), respectively. Of these amounts, \$62.6 million and \$61.7 million (unrestricted net position), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position increased by \$22.3 million during fiscal year 2023 and increased \$22.0 million during fiscal year 2022.
- As of June 30, 2023 and 2022, the City's governmental funds reported combined ending fund balances of \$74.7 million and \$82.6 million, respectively, which were comprised of nonspendable, restricted, committed, assigned, and unassigned fund balances.
- At the close of fiscal year 2023, unassigned fund balance for the General Fund was \$13.5 million, or 48% of actual expenditures.
- During fiscal year 2023, the City's total bonded debt increased by \$7.2 million primarily due to the issuance of excise tax revenue bonds for a portion of land acquisition costs.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are 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 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 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 public transit operations.

**CITY OF SEDONA, ARIZONA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2023**

**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 Sedona 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 33 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, Grants & Donations 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 35 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, 2023**

**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 and public transit operations which are considered major funds of the City. Conversely, the internal service fund, although presented in the proprietary fund financial statements, is not considered a major fund.

The proprietary fund financial statements begin on page 43 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 46 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 81 of this report.

**Combining and Individual Fund Financial Statements and Schedules**

The combining statements referred to earlier, in connection with nonmajor 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 91 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 \$233.8 million and \$211.5 million at the close of the fiscal years 2023 and 2022, respectively.

**CITY OF SEDONA, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Net Position (Continued)**

**CITY OF SEDONA, ARIZONA  
CONDENSED STATEMENT OF NET POSITION  
JUNE 30, 2023 AND 2022**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$84,201,689	\$ 91,719,867	\$30,029,183	\$ 22,468,038	\$114,230,872	\$114,187,905
Capital assets	97,526,388	73,133,771	102,289,853	102,249,187	199,816,241	175,382,958
Total assets	181,728,077	164,853,638	132,319,036	124,717,225	314,047,113	289,570,863
Deferred outflows of resources	5,989,124	3,916,273	302,296	322,387	6,291,420	4,238,660
Long-term liabilities outstanding	57,664,707	45,098,563	16,065,634	20,293,142	73,730,341	65,391,705
Other liabilities	6,952,606	7,439,365	5,205,868	5,444,645	12,158,474	12,884,010
Total liabilities	64,617,313	52,537,928	21,271,502	25,737,787	85,888,815	78,275,715
Deferred inflows of resources	601,476	3,611,055	74,908	404,819	676,384	4,015,874
Net position						
Net investment in capital assets	73,125,270	55,543,230	91,813,878	88,703,727	164,939,148	144,246,957
Restricted	6,139,032	5,516,511	46,127	41,123	6,185,159	5,537,634
Unrestricted	43,234,110	51,561,187	19,414,917	10,152,156	62,649,027	61,713,343
Total net position	\$122,498,412	\$112,620,928	\$111,274,922	\$ 98,897,006	\$233,773,334	\$211,517,934

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 \$164.9 million (70%) and \$144.2 million (68%) for the fiscal years 2023 and 2022, 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, \$6.2 million (3%) for fiscal year 2023 and \$5.6 million (3%) for fiscal year 2022, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position for fiscal years 2023 and 2022, \$62.6 million (27%), and \$61.7 million (29%) 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 \$22.3 million and \$22.0 million during the fiscal years 2023 and 2022, 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, 2023**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Changes in Net Position (Continued)**

**CITY OF SEDONA, ARIZONA  
CONDENSED STATEMENT OF ACTIVITIES  
FISCAL YEARS ENDED JUNE 30, 2023 AND 2022**

	Governmental Activities		Business-type Activities		Primary Government	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
Program revenues						
Charges for services	\$2,055,999	\$ 1,864,328	\$ 6,327,152	\$ 6,281,537	\$ 8,383,151	\$ 8,145,865
Operating grants and contributions	3,091,159	1,608,899	51,874	49,490	3,143,033	1,658,389
Capital grants and contributions	1,295,839	2,020,763	1,989,043	669,521	3,284,882	2,690,284
General revenues						
Local taxes	41,946,421	43,197,584	-	-	41,946,421	43,197,584
State revenue sharing	4,026,231	3,435,878	-	-	4,026,231	3,435,878
Investment earnings (loss)	1,240,236	(1,909,427)	390,441	(565,765)	1,630,677	(2,475,192)
Other revenues	170,644	455,738	13,872	12,530	184,516	468,268
<b>Total revenues</b>	<b>53,826,529</b>	<b>50,673,763</b>	<b>8,772,382</b>	<b>6,447,313</b>	<b>62,598,911</b>	<b>57,121,076</b>
<b>Expenses</b>						
General government	4,078,473	3,133,732	-	-	4,078,473	3,133,732
Public safety	9,022,120	7,503,428	-	-	9,022,120	7,503,428
Public works and streets	8,076,904	8,012,886	-	-	8,076,904	8,012,886
Culture and recreation	3,214,620	2,753,512	-	-	3,214,620	2,753,512
Economic development	1,707,478	2,168,093	-	-	1,707,478	2,168,093
Health and welfare	1,469,564	982,142	-	-	1,469,564	982,142
Public transportation	65,224	60,900	2,137,047	1,128,713	2,202,271	1,189,613
Housing	299,408	312,342	-	-	299,408	312,342
Interest on long-term debt	1,433,953	534,066	-	-	1,433,953	534,066
Wastewater	-	-	8,838,720	8,578,632	8,838,720	8,578,632
<b>Total expenses</b>	<b>29,367,744</b>	<b>25,461,101</b>	<b>10,975,767</b>	<b>9,707,345</b>	<b>40,343,511</b>	<b>35,168,446</b>
Increase (decrease) in net position before transfers	24,458,785	25,212,662	(2,203,385)	(3,260,032)	22,255,400	21,952,630
<b>Transfers</b>	<b>(14,581,301)</b>	<b>(4,622,651)</b>	<b>14,581,301</b>	<b>4,622,651</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>	<b>9,877,484</b>	<b>20,590,011</b>	<b>12,377,916</b>	<b>1,362,619</b>	<b>22,255,400</b>	<b>21,952,630</b>
Net position – beginning, as restated	112,620,928	92,030,917	98,897,006	97,534,387	211,517,934	189,565,304
<b>Net position - ending</b>	<b>\$122,498,412</b>	<b>\$112,620,928</b>	<b>\$111,274,922</b>	<b>\$98,897,006</b>	<b>\$233,733,334</b>	<b>\$211,517,934</b>

*Governmental Activities* – In fiscal year 2023, governmental activities increased the net position of the City by \$9.9 million. Total revenues increased \$3.2 million (6%) from fiscal year 2022. Program revenues, which are comprised of charges for services, operating and capital grants and contributions, increased \$0.9 million (17%) largely due to recognition of American Rescue Plan Act (ARPA) revenues for capital improvement costs related to the major lift station upgrades project. General revenues, which include local taxes, state revenue sharing, investment income, and other revenues, increased \$2.2 million (5%) due to increases in investment earnings as a result of significant unrealized losses in the fair value of investments recognized in fiscal year 2022.

Expenses increased approximately \$3.9 million, or 15%. General government expenses increased \$0.9 million or 30% due partly to an increase in pension expense as a result of the increase in the Arizona State Retirement System (ASRS) unfunded pension liability. The increase was also due to pay adjustments as a result of a salary study and merit increases, increases in health insurance costs, and the addition of seven positions to address staffing gaps in expanded City service levels, to improve succession planning, and to accelerate the City's sustainability program.

Public safety expenses increased \$1.5 million or 20% due partly to increases in pension expense for the Public Safety Personnel Retirement System (PSPRS) and ASRS unfunded pension liabilities. The increase was also due to pay adjustments as a result of a salary study and merit increases, increases in health insurance costs, and increases in depreciation costs for vehicle replacements.

**CITY OF SEDONA, ARIZONA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2023**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Changes in Net Position (Continued)**

Culture and recreation expenses increased \$0.5 million or 17% due partly to an increase in pension expense as a result of the increase in the Arizona State Retirement System (ASRS) unfunded pension liability. The increase was also due to pay adjustments as a result of a salary study and merit increases, increases in health insurance costs, the resumption of special events that were canceled during the prior year and added special events, and the addition of a support agreement for the Sedona Historical Society.

Economic development expenses decreased \$0.5 million or 21% largely due to reductions in the Sedona Chamber of Commerce & Tourism Bureau contract to realign expectations of the Tourism Bureau activities to be funded by the City. The decrease was also due to vacancy savings.

Health and welfare expenses increased \$0.5 million or 50% due partly to an increase in pension expense as a result of the increase in the Arizona State Retirement System (ASRS) unfunded pension liability. The increase was also due to pay adjustments as a result of a salary study and merit increases, increases in health insurance costs, one-time consultant costs for an environmental impact study on off-highway vehicles use, an added support agreement for the Red Rock Trail Fund, and continued expansion of the sustainability program to accelerate the implementation of the Municipal Sustainability Plan.

Interest on long-term debt expenses increased \$0.9 million or 168% due to a full-year of interest payments for the Series 2022 bonds and the addition of interest payments for the Second Series 2022 bonds.

*Business-Type Activities* – Business-type activities increased the City’s net position by \$12.4 million in fiscal year 2023. Revenue increased \$2.3 million or 36% and expenses increased by \$1.3 million or 13%.

The increase in revenues was partly due to an increase in wastewater capacity fees received for a large commercial construction project, as well as a general increase in construction activities requiring sewer connections. The increase was also due to increases in investment earnings as a result of significant unrealized losses in the fair value of investments recognized in fiscal year 2022.

The increase in expenses was largely due to a full year of operation of the trailhead shuttle program.

**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 \$74.7 million, a decrease of \$7.9 million, or a 10% decrease in comparison with the prior year. The combined ending fund balances for fiscal year 2022 were \$82.6 million.

**CITY OF SEDONA, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)**

The General Fund is the chief operating fund of the City. On June 30, 2023, the unassigned fund balance of the General Fund was \$13.5 million, or 18% of the combined governmental fund balance. The unassigned fund balance of the General Fund on June 30, 2022 was \$15.7 million or 19% 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 \$13.5 million represents 48% of General Fund expenditures.

The General Fund balance decrease of \$5.3 million from fiscal year 2022 is largely due to allocation of surplus balances to the various priorities and initiatives, including a one-time transfer of \$5.0 million to the Public Transit Fund to contribute toward anticipated future system implementation costs.

The Streets Fund is used to account for the City's maintenance costs for public streets and the state shared revenues restricted for street and highway purposes. The fund balance on June 30, 2023, was \$1.1 million. The Streets Fund received a transfer of \$2.0 million from the General Fund to supplement the cost of street improvement projects and maintain minimum fund balance requirements per Council policy. The Streets Fund balance increased by \$0.8 million from the prior year primarily due to the establishment of a fund balance target for the Streets Fund at 30% of the total adopted budgeted operating expenditures of the Fund.

The Grants & Donations Fund balance increased approximately \$16,000 to \$136,000. The City received a distribution of Smart & Safe Arizona Fund monies late in the fiscal year that were distributed early in the next fiscal year toward the unfunded liability for the Public Safety Personnel Retirement System (PSPRS). In addition, a transfer was made during the year to close out the Sedona Trails & Pathways System (ST&PS) program and transfer to the program to the General Fund since it was not adequately funded with donation revenues.

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 on June 30, 2023, was \$7.8 million. The Transportation Sales Tax Fund balance decreased \$0.7 million due to an increase in transfers to the Public Transit Fund as a result of increased operating costs with a full year of trailhead shuttle operations.

The Capital Improvements Fund balance decreased \$2.7 million to \$28.0 million. The decrease is partly due to the expenditure of bond proceeds for transportation projects, as well as the expenditure of balances assigned for general capital improvements. In December 2022, the City issued \$10.1 million in excise tax revenue bonds to finance one-half of the \$20.0 million acquisition cost of 41 acres of land for possible affordable/workforce housing development, community gathering spaces, open space preservation, and other potential private-use development. The remaining half was paid with \$1.9 million of monies previously assigned for land acquisition, plus \$8.1 million of balances assigned for general capital improvements.

The nonmajor governmental funds reported an increase in fund balance of approximately \$83,000. This increase was primarily a result of allowing balances to accumulate for future planned capital improvement projects.

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

At the end of the fiscal year, the unrestricted net position for the Wastewater Fund was \$13.2 million. For fiscal year 2023, the change in net position for the Wastewater Fund was \$4.4 million. The increase was due to continuing subsidies to the Wastewater Fund planned to be fully eliminated by fiscal year 2027, as well as a transfer of American Rescue Plan Act (ARPA) monies from the Grants & Donations Fund to the Wastewater Fund to cover capital improvement costs related to the major lift station upgrades project.

**CITY OF SEDONA, ARIZONA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2023**

**FINANCIAL ANALYSIS OF THE CITY’S FUNDS (Continued)**

At the end of the fiscal year, the unrestricted net position for the Public Transit Fund was \$6.1 million. For fiscal year 2023, the change in net position for the Public Transit Fund was \$7.9 million. During the initial implementation phase, the primary source of funding for the Public Transit Fund is transfers from the Transportation Sales Tax Fund. A one-time transfer of \$5.0 million from the General Fund to contribute toward anticipated future system implementation costs was made during fiscal year 2023. Additional Federal grant funding is being sought as the system implementation moves forward.

**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 transfers were:

- A \$146,490 transfer from the Second Series 2022 bond payments account to the Capital Improvements Fund for the cost of issuances for the costs of issuance. Rough estimates were made at the time of budget preparation and the budget amount for the Second Series 2022 bond payments were estimated high to cover any costs associated with the bonds.
- A \$810,000 transfer from contingency and a \$701,650 transfer from the Uptown parking garage project in the Capital Improvements Fund for the acquisition of land for future low-income housing. The land acquisition was unanticipated at the time of budget preparation and adequate monies had been set aside for any potential affordable housing projects that might be determined at a later date.

The actual expenditures reflected a favorable variance to the final budget in the amount of \$2.9 million (9%) less than the total appropriations. In fiscal year 2022, actual expenditures showed a favorable variance to final budget in the amount of \$4.8 million (18% less).

Unspent contingencies were approximately \$0.6 million. City Manager’s Office expenditures were under the budgeted amount by \$0.8 million due to delays in filling newly added positions, delays in implementation of expanded public relations support, delays in implementation of expanded programs for sustainability, and delays in implementation of a proposed housing program for incentivizing long-term rentals over short-term rentals. Community Development expenditures were \$0.4 million under the budgeted amount due to timing of costs related to the required 10-year update to the City’s Community Plan, employee turnover and related vacancy savings, and a reduced need to rely on outsourced plan reviews. Police expenditures were \$0.6 million under the budgeted amount due to employee turnover and related vacancy savings.

Total revenues reflected a negative variance to budget in the amount of \$5.8 million (-12%) for fiscal year 2023 and a positive variance of \$5.6 million (15%) in fiscal year 2022.

Sales tax revenue was less than the budget amount by \$4.1 million and bed tax revenue was less than the budget amount by \$1.6 million as a result of a slowdown in tourism likely due to the reopening of Europe, significant inflation possibly impacting the amount of travel, talk of a coming recession possibly impacting the amount of travel, and the City’s hold placed on destination marketing due to the oversubscription of tourism since the COVID-19 pandemic. In-lieu taxes were less than the budget amount by \$0.5 million due to the late receipt of these monies after the period of availability defined as 60 days after year-end.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City’s capital assets for its governmental and business-type activities as of June 30, 2023 and 2022 amount to \$199.8 million and \$175.4 million, respectively (net of accumulated depreciation). The net increase in capital assets (net of accumulated depreciation) was \$24.4 million. Capital assets include land and improvements, buildings and improvements, wastewater systems, infrastructure, machinery, vehicles, equipment, construction in progress, and right-to-use subscription and lease assets.

**CITY OF SEDONA, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023**

**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, 2023 AND 2022**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Land	\$35,436,193	\$13,894,971	\$ 12,876,460	\$ 11,159,413	\$ 48,312,653	\$ 25,054,384
Construction in progress	9,378,733	11,929,235	3,001,927	3,378,856	12,380,660	15,308,091
Land improvements	7,631,676	7,796,997	229,084	67,032	7,860,760	7,864,029
Buildings and improvements	7,162,069	4,170,082	2,324	8,180	7,164,393	4,178,262
Wastewater system	-	-	85,194,571	84,718,109	85,194,571	84,718,109
Infrastructure	34,105,083	31,507,023	175,560	184,800	34,280,643	31,691,823
Machinery, equipment, and vehicles	1,406,211	1,260,036	690,022	1,058,190	2,096,233	2,318,226
Right-to-use subscription assets	22,253	-	-	-	22,253	-
Right-to-use lease assets						
Land	-	-	-	1,599,899	-	1,599,899
Land improvements	103,610	107,268	-	-	103,610	107,268
Buildings and improvements	2,056,425	2,177,021	-	-	2,056,425	2,177,021
Machinery, equipment, and vehicles	224,135	291,138	119,905	74,708	344,040	365,846
Total capital assets	<u>\$97,526,388</u>	<u>\$73,133,771</u>	<u>\$102,289,853</u>	<u>\$102,249,187</u>	<u>\$199,816,241</u>	<u>\$175,382,958</u>

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

- Land acquisitions including 41 acres of land for possible affordable/workforce housing development, community gathering spaces, open space preservation, and other potential private-use development; property acquired for future low-income housing; and property acquired for a trailhead shuttle park-and-ride stop.
- Various road and pedestrian access improvement projects
- Storm drainage improvements
- Police facility remodel and expansion
- Acquisition of police vehicles and heavy equipment items
- Major wastewater lift station upgrades project
- Developer contributed sewer lines

Additional information on the City's capital assets can be found in Note 5 beginning on page 60 of this report.

**Long-Term Debt**

At the end of fiscal year 2023, the City, had total bonded debt outstanding of \$48.6 million (including related premium). At the end of fiscal year 2022, the City had bonded debt totaling \$41.4 million. All of the fiscal year 2023 total bonded debt was related to revenue bonds. An additional \$3.0 million of debt is outstanding that is related to capital appreciation bonds issued in fiscal year 1998 that will be paid in fiscal year 2024. Financed purchases and leases outstanding as of June 30, 2023, were \$5.3 million and \$6.2 million, respectively.

**CITY OF SEDONA, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)**

**Long-Term Debt (Continued)**

**CITY OF SEDONA, ARIZONA  
OUTSTANDING OBLIGATIONS  
JUNE 30, 2023 AND 2022**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenue bonds	\$38,812,903	\$30,268,903	\$ 9,773,000	\$11,088,000	\$48,585,903	\$41,356,903
Capital appreciation bond interest	-	-	2,963,027	5,660,018	2,963,027	5,660,018
Financed purchases	971,420	1,216,264	1,796,880	710,125	2,768,300	1,926,389
Leases	2,430,686	2,576,968	122,720	1,670,600	2,553,403	4,247,568
Total outstanding debt	\$42,215,009	\$34,062,135	\$14,655,627	\$19,128,743	\$56,870,636	\$53,190,878

The City's total debt increased by \$3.7 million (7%) during the current fiscal year. During the current year, the City issued \$10.1 million in revenue bonds for a portion of land acquisition costs. In addition, the City entered into financed purchase agreements for micro-transit vehicles for \$0.6 million and a vector truck for \$0.6 million.

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 on June 30, 2023, was \$28.6 million in the 6% capacity and \$95.4 million in the 20% capacity. In fiscal year 2022, the 6% capacity limit was \$25.7 million, and the 20% capacity limit was \$85.5 million. Additional information on the debt limitations and capacities may be found on page 115 in the statistical section of this report.

See Notes 8 through 11 on pages 63-66 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 2024 budgeted General Fund expenditures (including interfund transfers) are balanced with anticipated revenue. The total adopted fiscal year 2024 budget is \$85.8 million, which includes capital projects of \$33.6 million. The budget for fiscal year 2024 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 saw dramatic increases in tourism and sales and bed tax revenues to the point that the City Council placed a hold on destination marketing starting fiscal year 2022. With ongoing increases in tourism levels, the hold on destination marketing was continued for fiscal year 2023. For fiscal year 2023, the City saw a slight decrease in sales and bed tax revenues, which was likely due to the reopening of Europe, significant inflation possibly impacting the amount of travel, talk of a coming recession possibly impacting the amount of travel, and the City's hold placed on destination marketing. In April 2023, the Sedona Chamber of Commerce & Tourism Bureau (SCC&TB) gave notice that they would not pursue renewal of their contract to serve as the City's Tourism Bureau. Shortly after, the City Council designated the City as the official Destination Marketing Organization (DMO) for Sedona. The fiscal year 2024 budget includes priorities to develop the in-house tourism bureau, and to develop strategic destination marketing and branding for the City of Sedona.

**CITY OF SEDONA, ARIZONA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2023**

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES (Continued)**

- Due to the slight downward trend in fiscal year 2023 sales and bed tax revenues and talk at the time of budget preparation regarding a possible recession, the fiscal year 2024 budget conservatively estimated decreases of \$2.0 million in sales and bed taxes. Since the budget was adopted, the sales and bed tax revenues have seen slight increases compared to fiscal year 2023.
- The fiscal year 2024 budget does not include any new taxes.
- The overall salary budgets were increased for pay adjustments averaging 5.0%.
- Increases in health insurance rates of 7% have been included.
- The additional contribution to pay down the unfunded liability in the Public Safety Personnel Retirement System (PSPRS) has been continued at a level-funding amount of \$1.1 million. In addition, the budget includes an additional one-time contribution of \$1.2 million, plus use of Smart & Safe Arizona Fund distributions to supplement the payment toward the PSPRS unfunded liability.
- Five positions were added to address staffing gaps in expanded City service levels, to improve succession planning, and to form a City-operated tourism bureau.
- The former Economic Development Department was renamed to the Tourism & Economic Initiatives Department. Most of the costs related to economic diversification have been carried over to the new department with some reductions. The former SCC&TB contract amount was reallocated to a tourism initiatives contingency with portions allocated during the budget process to various costs of the Tourism & Economic Initiatives Department, including staffing as discussed above.
- The fiscal year 2024 budget incorporates various Council priorities, including traffic/transportation improvement projects, continued implementation of a public transit system, creation of a City-operated tourism bureau, environmental stewardship/sustainability, affordable housing and homelessness initiatives, and replacement of the City’s enterprise resource planning (ERP) system.
- The fiscal year 2024 budget projects a surplus in the General Fund of approximately \$8.7 million. Actual surpluses will be allocated in the next budget process to Council priorities and/or capital improvement projects.

**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).

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF SEDONA, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 54,674,528	\$ 23,501,280	\$ 78,175,808
Restricted assets	20,372,929	5,802,745	26,175,674
Receivables, net of allowance for uncollectibles			
Taxes, net	4,741,019	-	4,741,019
Accounts, net	1,066,879	530,242	1,597,121
Accrued interest	99,369	39,373	138,742
Loans	2,016,638	-	2,016,638
Internal balances	(104,889)	104,889	-
Due from other government units	789,867	3,876	793,743
Prepaid items and other assets	144,881	651	145,532
Net pension/OPEB asset	400,468	46,127	446,595
Capital assets			
Nondepreciable	44,814,926	15,878,387	60,693,313
Depreciable (net)	52,711,462	86,411,466	139,122,928
Total assets	<u>181,728,077</u>	<u>132,319,036</u>	<u>314,047,113</u>
<b>Deferred outflows of resources</b>			
Deferred outflows related to pensions/OPEB	5,792,332	276,406	6,068,738
Deferred charges on debt refunding	196,792	25,890	222,682
Total deferred outflows of resources	<u>5,989,124</u>	<u>302,296</u>	<u>6,291,420</u>
<b>Liabilities</b>			
Accounts payable	593,923	498,767	1,092,690
Accrued wages and benefits	575,664	68,716	644,380
Construction contracts payable	1,221,170	43,670	1,264,840
Interest payable	758,907	3,170,854	3,929,761
Matured debt principal payable	1,604,000	1,315,000	2,919,000
Retainage payable	218,271	-	218,271
Due to other government units	21,417	-	21,417
Deposits payable	18,286	14,925	33,211
Unearned revenue	1,940,968	93,936	2,034,904
Noncurrent liabilities			
Due within one year	2,416,598	4,672,795	7,089,393
Due in more than one year	55,248,109	11,392,839	66,640,948
Total liabilities	<u>64,617,313</u>	<u>21,271,502</u>	<u>85,888,815</u>
<b>Deferred inflows related to pensions/OPEB</b>	<u>601,476</u>	<u>74,908</u>	<u>676,384</u>
<b>Net position</b>			
Net investment in capital assets	73,125,270	91,813,878	164,939,148
Restricted for			
Net pension/OPEB asset	400,468	46,127	446,595
Streets	279,494	-	279,494
Court improvements	55,877	-	55,877
Criminal case processing	55,926	-	55,926
Police Department programs	34,131	-	34,131
Parks improvements	2,771,413	-	2,771,413
Summit CFD improvements	311,846	-	311,846
Fairfield CFD improvements	180,739	-	180,739
Affordable housing - nonspendable	2,016,638	-	2,016,638
Public art	32,500	-	32,500
Unrestricted	43,234,110	19,414,917	62,649,027
Total net position	<u>\$ 122,498,412</u>	<u>\$ 111,274,922</u>	<u>\$ 233,773,334</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, 2023**

<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	\$ 4,078,473	\$ 893,844	\$ 1,759,091	\$ -	\$ (1,425,538)	\$ -	\$ (1,425,538)
Public safety	9,022,120	997,604	210,113	74,087	(7,740,316)	-	(7,740,316)
Public works and streets	8,076,904	15,397	1,037,550	956,396	(6,067,561)	-	(6,067,561)
Culture and recreation	3,214,620	149,154	16,150	265,356	(2,783,960)	-	(2,783,960)
Economic development	1,707,478	-	-	-	(1,707,478)	-	(1,707,478)
Health and welfare	1,469,564	-	9,561	-	(1,460,003)	-	(1,460,003)
Public transportation	65,224	-	-	-	(65,224)	-	(65,224)
Housing	299,408	-	58,694	-	(240,714)	-	(240,714)
Interest on long-term debt	1,433,953	-	-	-	(1,433,953)	-	(1,433,953)
Total governmental activities	<u>29,367,744</u>	<u>2,055,999</u>	<u>3,091,159</u>	<u>1,295,839</u>	<u>(22,924,747)</u>	<u>-</u>	<u>(22,924,747)</u>
Business-type activities							
Wastewater	8,838,720	6,325,719	-	1,989,043	-	(523,958)	(523,958)
Public transportation	2,137,047	1,433	51,874	-	-	(2,083,740)	(2,083,740)
Total business-type activities	<u>10,975,767</u>	<u>6,327,152</u>	<u>51,874</u>	<u>1,989,043</u>	<u>-</u>	<u>(2,607,698)</u>	<u>(2,607,698)</u>
Total primary government	<u>\$40,343,511</u>	<u>\$8,383,151</u>	<u>\$ 3,143,033</u>	<u>\$ 3,284,882</u>	<u>(22,924,747)</u>	<u>(2,607,698)</u>	<u>(25,532,445)</u>
General revenues							
Taxes							
Sales taxes					\$ 40,327,787	\$ -	\$ 40,327,787
Franchise taxes					913,690	-	913,690
In-lieu taxes					704,944	-	704,944
Unrestricted state income tax revenue sharing					1,852,056	-	1,852,056
Unrestricted state sales tax revenue sharing					1,443,176	-	1,443,176
Unrestricted auto lieu tax revenue sharing					730,999	-	730,999
Investment earnings (loss)					1,240,236	390,441	1,630,677
Other revenues					170,644	13,872	184,516
Transfers					<u>(14,581,301)</u>	<u>14,581,301</u>	<u>-</u>
Total general revenues and transfers					<u>32,802,231</u>	<u>14,985,614</u>	<u>47,787,845</u>
Change in net position					9,877,484	12,377,916	22,255,400
Net position, beginning					<u>112,620,928</u>	<u>98,897,006</u>	<u>211,517,934</u>
Net position, ending					<u>\$122,498,412</u>	<u>\$111,274,922</u>	<u>\$233,773,334</u>

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

**CITY OF SEDONA, ARIZONA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

	General	Streets	Grants & Donations	Transportation Sales Tax	Capital Improvements	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>							
Cash and investments	\$ 28,691,950	\$ 1,314,006	\$ 2,065,032	\$ 7,389,794	\$ 10,653,965	\$ 3,160,563	\$ 53,275,310
Restricted assets	2,470,295	-	-	-	17,902,634	-	20,372,929
Receivables, net of allowance for uncollectibles							
Taxes, net	4,229,129	-	-	511,890	-	-	4,741,019
Accounts, net	1,023,813	-	-	-	-	43,066	1,066,879
Accrued interest	53,480	-	3,550	15,230	17,856	6,800	96,916
Loans	2,016,638	-	-	-	-	-	2,016,638
Due from other government units	221,180	106,399	256	-	462,032	-	789,867
Prepaid items and other assets	22,515	1,000	9,000	27,000	46,000	-	105,515
Total assets	<u>\$ 38,729,000</u>	<u>\$ 1,421,405</u>	<u>\$ 2,077,838</u>	<u>\$ 7,943,914</u>	<u>\$ 29,082,487</u>	<u>\$ 3,210,429</u>	<u>\$ 82,465,073</u>
<b>Liabilities</b>							
Accounts payable	\$ 424,614	\$ 83,384	\$ 614	\$ 290	\$ 39,975	\$ 25,935	\$ 574,812
Accrued wages and benefits	525,183	12,906	-	4,570	5,549	1,455	549,663
Construction contracts payable	-	268,835	-	-	900,768	51,567	1,221,170
Interest payable	525,291	-	-	144,126	-	89,490	758,907
Matured debt principal payable	1,604,000	-	-	-	-	-	1,604,000
Retainage payable	-	-	-	-	161,916	56,355	218,271
Due to other government units	21,365	-	52	-	-	-	21,417
Deposits payable	18,286	-	-	-	-	-	18,286
Unearned revenue	-	-	1,940,968	-	-	-	1,940,968
Total liabilities	<u>3,118,739</u>	<u>365,125</u>	<u>1,941,634</u>	<u>148,986</u>	<u>1,108,208</u>	<u>224,802</u>	<u>6,907,494</u>
<b>Deferred Inflows of Resources</b>							
Deferred inflows - unavailable revenue	811,782	-	-	-	-	10,476	822,258
<b>Fund Balances (Deficits)</b>							
Nonspendable	2,039,153	1,000	9,000	27,000	46,000	-	2,122,153
Restricted	200,310	-	25,093	-	18,968,071	3,565,516	22,758,990
Committed	2,803,153	60,920	45,670	7,767,928	-	150,193	10,827,864
Assigned	16,265,044	994,360	56,441	-	8,960,208	-	26,276,053
Unassigned	13,490,819	-	-	-	-	(740,558)	12,750,261
Total fund balances (deficits)	<u>34,798,479</u>	<u>1,056,280</u>	<u>136,204</u>	<u>7,794,928</u>	<u>27,974,279</u>	<u>2,975,151</u>	<u>74,735,321</u>
Total liabilities and fund balances (deficits)	<u>\$ 38,729,000</u>	<u>\$ 1,421,405</u>	<u>\$ 2,077,838</u>	<u>\$ 7,943,914</u>	<u>\$ 29,082,487</u>	<u>\$ 3,210,429</u>	<u>\$ 82,465,073</u>

**CITY OF SEDONA, ARIZONA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

Total Fund Balances for Governmental Funds \$ 74,735,321

**Amounts reported for governmental activities in the Statement of Net Position are different because:**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	135,660,166
Accumulated depreciation and amortization	(38,282,560)
Capital assets used in governmental activities	97,377,606

Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the Statement of Net Position.

Deferred outflows related to pensions/OPEB	5,666,120
Deferred inflows related to pensions/OPEB	(568,625)

Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds. 822,258

Net pension/OPEB assets held in trust for future benefits are not available for City operations and, therefore, are not reported in the funds. 380,201

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	(35,029,000)
Compensated absences	(632,199)
Financed purchases	(971,420)
Leases	(2,423,067)
Net pension/OPEB liability	(14,177,857)

Governmental funds report the effect of premiums, discounts, and refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Deferred charges on refunding	196,792
Premium on revenue bonds	(3,783,903)

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	1,011,074
Amount attributable to the business-type activities	(104,889)

Net position of governmental activities \$ 122,498,412

**CITY OF SEDONA, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	General	Streets	Grants & Donations	Transportation Sales Tax	Capital Improvements	Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes							
Sales taxes	\$ 35,895,193	\$ -	\$ -	\$ 4,464,666	\$ -	\$ -	\$ 40,359,859
Franchise taxes	913,690	-	-	-	-	-	913,690
In-lieu taxes	-	-	-	-	-	150,770	150,770
Licenses and permits	598,810	-	-	-	-	-	598,810
Intergovernmental	4,291,233	1,037,382	1,747,523	-	584,113	-	7,660,251
Charges for services	924,988	-	-	-	-	-	924,988
Fines and forfeitures	443,377	-	-	-	-	-	443,377
Contributions	-	-	27,539	-	75,000	65,000	167,539
Impact fees	-	-	-	-	-	571,198	571,198
Investment earnings (loss)	317,025	11,960	(16,534)	145,754	714,810	51,154	1,224,169
Rents	61,962	-	-	-	-	-	61,962
Other revenues	167,171	-	6,400	-	-	46,507	220,078
Total revenues	<u>43,613,449</u>	<u>1,049,342</u>	<u>1,764,928</u>	<u>4,610,420</u>	<u>1,373,923</u>	<u>884,629</u>	<u>53,296,691</u>
<b>Expenditures</b>							
Current							
General government	3,695,513	-	1,522	-	-	-	3,697,035
Public safety	9,847,321	-	88,403	-	-	-	9,935,724
Public works and streets	2,819,864	2,134,748	2,257	107,786	-	-	5,064,655
Culture and recreation	2,884,704	-	18,994	-	-	-	2,903,698
Economic development	1,701,215	-	5,647	-	-	-	1,706,862
Health and welfare	1,426,191	-	-	-	-	-	1,426,191
Public transportation	65,224	-	-	-	-	-	65,224
Housing	303,842	-	-	-	-	-	303,842
Debt service							
Principal retirement	1,943,735	86,122	-	-	-	-	2,029,857
Interest and fiscal charges	1,033,032	8,663	-	223,478	-	115,754	1,380,927
Bond issuance costs	-	-	-	-	147,855	-	147,855
Capital outlay	2,348,756	100,730	175,148	-	24,452,606	1,065,673	28,142,913
Total expenditures	<u>28,069,397</u>	<u>2,330,263</u>	<u>291,971</u>	<u>331,264</u>	<u>24,600,461</u>	<u>1,181,427</u>	<u>56,804,783</u>
Excess (deficiency) of revenues over expenditures	15,544,052	(1,280,921)	1,472,957	4,279,156	(23,226,538)	(296,798)	(3,508,092)
<b>Other Financing Sources (Uses)</b>							
Revenue bonds issued	-	-	-	-	10,148,000	-	10,148,000
Transfers in	484,963	2,037,201	7,643	-	11,389,548	380,267	14,299,622
Transfers out	(21,423,980)	-	(1,464,372)	(4,982,373)	(1,044,408)	-	(28,915,133)
Lease agreements	49,944	-	-	-	-	-	49,944
Sale of capital assets	16,802	-	-	-	-	-	16,802
Total other financing sources (uses)	<u>(20,872,271)</u>	<u>2,037,201</u>	<u>(1,456,729)</u>	<u>(4,982,373)</u>	<u>20,493,140</u>	<u>380,267</u>	<u>(4,400,765)</u>
Net change in fund balances	(5,328,219)	756,280	16,228	(703,217)	(2,733,398)	83,469	(7,908,857)
Fund balances - beginning of year	<u>40,126,698</u>	<u>300,000</u>	<u>119,976</u>	<u>8,498,145</u>	<u>30,707,677</u>	<u>2,891,682</u>	<u>82,644,178</u>
Fund balances - end of year	<u>\$ 34,798,479</u>	<u>\$ 1,056,280</u>	<u>\$ 136,204</u>	<u>\$ 7,794,928</u>	<u>\$ 27,974,279</u>	<u>\$ 2,975,151</u>	<u>\$ 74,735,321</u>

**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, 2023**

Net Change in Fund Balances - Total Governmental Funds \$ (7,908,857)

**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	27,739,480
Less: Current year depreciation and amortization	(3,470,821)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, donations, etc.) is to increase net position.

Donation of capital assets	76,920
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In the Statement of Activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold/disposed.

(2,220)

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, 2022	(403,802)
Unavailable revenue - June 30, 2023	822,258

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	(2,249,263)
Pension/OPEB contributions	3,052,070

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 revenue bonds	(10,148,000)
Issuance of leases	(49,944)
Principal payments on revenue bonds	1,604,000
Principal payments on financed purchases	244,844
Principal payments on leases	181,013
Amortization on deferred amount on refunding	(49,198)

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	(58,381)
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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.

497,385

Change in net position - governmental activities

\$ 9,877,484

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, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes				
Sales taxes	\$ 31,360,000	\$ 31,360,000	\$ 27,307,204	\$ (4,052,796)
Bed taxes	10,232,000	10,232,000	8,587,989	(1,644,011)
Franchise taxes	857,900	857,900	913,690	55,790
In-lieu taxes	539,400	539,400	-	(539,400)
Licenses and permits	448,280	448,280	598,810	150,530
Intergovernmental	4,169,150	4,169,150	4,291,233	122,083
Charges for services	984,860	984,860	924,988	(59,872)
Fines and forfeitures	335,040	335,040	443,377	108,337
Investment earnings (loss)	205,650	205,650	317,025	111,375
Rents	93,000	93,000	61,962	(31,038)
Other revenues	157,200	157,200	167,171	9,971
Total revenues	<u>49,382,480</u>	<u>49,382,480</u>	<u>43,613,449</u>	<u>(5,769,031)</u>
<b>Budgetary Expenditures</b>				
City Council	76,170	80,590	74,685	5,905
City Manager	3,052,600	4,562,310	3,784,398	777,912
Human Resources	324,060	324,060	303,128	20,932
Financial Services	1,551,550	1,549,880	1,387,502	162,378
City Attorney	684,870	684,670	624,723	59,947
City Clerk	348,260	346,350	322,999	23,351
Parks and Recreation	890,350	961,910	804,566	157,344
General Services	3,847,370	3,858,940	3,794,445	64,495
Community Development	1,976,910	1,977,410	1,579,955	397,455
Public Works	4,173,250	4,226,510	4,137,824	88,686
Economic Development	311,520	313,460	196,715	116,745
Police	7,535,670	7,737,250	7,151,062	586,188
Other Public Safety	30,000	30,000	25,124	4,876
Municipal Court	835,680	865,156	780,459	84,697
Indirect costs	241,630	241,630	458,160	(216,530)
Contingency	1,360,000	550,000	-	550,000
Debt service	2,657,590	2,547,200	2,545,823	1,377
Total budgetary expenditures	<u>29,897,480</u>	<u>30,857,326</u>	<u>27,971,568</u>	<u>2,885,758</u>
Excess (deficiency) of revenues over expenditures	<u>19,485,000</u>	<u>18,525,154</u>	<u>15,641,881</u>	<u>(2,883,273)</u>
<b>Budgetary Other Financing Sources (Uses)</b>				
Transfers in	-	-	484,963	484,963
Transfers out	(19,824,200)	(19,824,200)	(21,423,980)	(1,599,780)
Sale of capital assets	-	-	16,802	16,802
Total budgetary other financing sources (uses)	<u>(19,824,200)</u>	<u>(19,824,200)</u>	<u>(20,922,215)</u>	<u>(1,098,015)</u>
Add back equipment replacement reserve	<u>246,990</u>	<u>246,990</u>	<u>241,390</u>	<u>(5,600)</u>
Net change in fund balance	(92,210)	(1,052,056)	(5,038,944)	(3,986,888)
Fund balance - beginning of year	<u>41,293,903</u>	<u>41,293,903</u>	<u>40,126,698</u>	<u>(1,167,205)</u>
Fund balance - end of year	<u>\$ 41,201,693</u>	<u>\$ 40,241,847</u>	<u>\$ 35,087,754</u>	<u>\$ (5,154,093)</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 - BUDGETARY BASIS**  
**STREETS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 1,293,000	\$ 1,293,000	\$ 1,037,382	\$ (255,618)
Investment earnings (loss)	22,400	22,400	11,960	(10,440)
Total revenues	<u>1,315,400</u>	<u>1,315,400</u>	<u>1,049,342</u>	<u>(266,058)</u>
<b>Expenditures</b>				
Current				
Public works and streets	1,910,760	2,221,523	2,195,668	25,855
Debt service	93,010	93,010	94,785	(1,775)
Capital outlay	70,000	102,657	100,730	1,927
Total expenditures	<u>2,073,770</u>	<u>2,417,190</u>	<u>2,391,183</u>	<u>26,007</u>
Excess (deficiency) of revenues over expenditures	<u>(758,370)</u>	<u>(1,101,790)</u>	<u>(1,341,841)</u>	<u>(240,051)</u>
<b>Other Financing Sources</b>				
Transfers in	438,330	438,330	2,037,201	1,598,871
Add back equipment replacement reserve	60,920	60,920	60,920	-
Net change in fund balance	(259,120)	(602,540)	756,280	1,358,820
Fund balance - beginning of year	908,289	908,289	300,000	(608,289)
Fund balance - end of year	<u>\$ 649,169</u>	<u>\$ 305,749</u>	<u>\$ 1,056,280</u>	<u>\$ 750,531</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**  
**GRANTS & DONATIONS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 2,362,580	\$ 2,362,580	\$ 1,747,523	\$ (615,057)
Charges for services	200	200	-	(200)
Contributions	21,450	21,450	27,539	6,089
Investment earnings (loss)	1,120	1,120	(16,534)	(17,654)
Other revenues	-	-	6,400	6,400
Total revenues	<u>2,385,350</u>	<u>2,385,350</u>	<u>1,764,928</u>	<u>(620,422)</u>
<b>Expenditures</b>				
Current				
General government	2,039,800	1,827,948	1,522	1,826,426
Public safety	71,100	101,472	88,403	13,069
Public works and streets	2,500	2,500	2,257	243
Culture and recreation	12,950	19,830	18,994	836
Economic development	-	5,657	5,647	10
Capital outlay	92,280	260,590	175,148	85,442
Total expenditures	<u>2,218,630</u>	<u>2,217,997</u>	<u>291,971</u>	<u>1,926,026</u>
Excess (deficiency) of revenues over expenditures	<u>166,720</u>	<u>167,353</u>	<u>1,472,957</u>	<u>1,305,604</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	7,643	7,643
Transfers out	(1,914,000)	(1,914,000)	(1,464,372)	449,628
Total other financing sources (uses)	<u>(1,914,000)</u>	<u>(1,914,000)</u>	<u>(1,456,729)</u>	<u>457,271</u>
Net change in fund balance	(1,747,280)	(1,746,647)	16,228	1,762,875
Fund balance - beginning of year	<u>1,850,982</u>	<u>1,850,982</u>	<u>119,976</u>	<u>(1,731,006)</u>
Fund balance - end of year	<u>\$ 103,702</u>	<u>\$ 104,335</u>	<u>\$ 136,204</u>	<u>\$ 31,869</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, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Sales taxes	\$ 5,210,000	\$ 5,210,000	\$ 4,464,666	\$ (745,334)
Investment earnings (loss)	83,400	83,400	145,754	62,354
Total revenues	<u>5,293,400</u>	<u>5,293,400</u>	<u>4,610,420</u>	<u>(682,980)</u>
<b>Expenditures</b>				
Current				
Public works and streets	148,410	148,410	107,786	40,624
Debt service	<u>377,270</u>	<u>341,170</u>	<u>223,478</u>	<u>117,692</u>
Total expenditures	<u>525,680</u>	<u>489,580</u>	<u>331,264</u>	<u>158,316</u>
Excess (deficiency) of revenues over expenditures	<u>4,767,720</u>	<u>4,803,820</u>	<u>4,279,156</u>	<u>(524,664)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(11,000,170)</u>	<u>(11,000,170)</u>	<u>(4,982,373)</u>	<u>6,017,797</u>
Net change in fund balance	(6,232,450)	(6,196,350)	(703,217)	5,493,133
Fund balance - beginning of year	<u>6,283,940</u>	<u>6,283,940</u>	<u>8,498,145</u>	<u>2,214,205</u>
Fund balance - end of year	<u>\$ 51,490</u>	<u>\$ 87,590</u>	<u>\$ 7,794,928</u>	<u>\$ 7,707,338</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, 2023**

	Business-Type Activities			Governmental Activities
	Wastewater	Public Transit	Total Enterprise Funds	Internal Service Fund
<b>Assets</b>				
Current assets				
Cash and investments	\$ 17,101,152	\$ 6,400,128	\$ 23,501,280	\$ 1,399,218
Restricted assets	5,169,152	633,593	5,802,745	-
Receivables, net of allowance for uncollectibles				
Accounts, net	530,242	-	530,242	-
Accrued interest	29,968	9,405	39,373	2,453
Due from other government units	-	3,876	3,876	-
Prepaid items and other assets	651	-	651	39,366
Total current assets	<u>22,831,165</u>	<u>7,047,002</u>	<u>29,878,167</u>	<u>1,441,037</u>
Noncurrent assets				
Net pension/OPEB asset	41,605	4,522	46,127	20,267
Capital assets				
Nondepreciable	14,056,170	1,822,217	15,878,387	-
Depreciable (net)	85,657,923	753,543	86,411,466	148,782
Total capital assets	<u>99,714,093</u>	<u>2,575,760</u>	<u>102,289,853</u>	<u>148,782</u>
Total noncurrent assets	<u>99,755,698</u>	<u>2,580,282</u>	<u>102,335,980</u>	<u>169,049</u>
Total assets	<u>122,586,863</u>	<u>9,627,284</u>	<u>132,214,147</u>	<u>1,610,086</u>
<b>Deferred outflows of resources</b>				
Deferred outflows related to pensions/OPEB	246,614	29,792	276,406	126,212
Deferred charges on debt refunding	25,890	-	25,890	-
Total deferred outflows of resources	<u>272,504</u>	<u>29,792</u>	<u>302,296</u>	<u>126,212</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	337,137	161,630	498,767	19,111
Accrued wages and benefits	61,066	7,650	68,716	26,001
Construction contracts payable	43,670	-	43,670	-
Interest payable	3,170,854	-	3,170,854	-
Matured debt principal payable	1,315,000	-	1,315,000	-
Compensated absences payable, current	52,512	2,865	55,377	24,839
Bonds payable, current	1,257,000	-	1,257,000	-
Capital appreciation bond interest, current	2,963,027	-	2,963,027	-
Financed purchases payable, current	110,293	256,238	366,531	-
Leases payable, current	30,860	-	30,860	7,619
Deposits payable	14,925	-	14,925	-
Unearned revenue	93,936	-	93,936	-
Total current liabilities	<u>9,450,280</u>	<u>428,383</u>	<u>9,878,663</u>	<u>77,570</u>
Noncurrent liabilities				
Compensated absences payable	29,959	-	29,959	32,823
Bonds payable	8,516,000	-	8,516,000	-
Financed purchases payable	490,519	939,830	1,430,349	-
Leases payable	91,860	-	91,860	-
Net pension/OPEB liability	1,194,797	129,874	1,324,671	581,980
Total noncurrent liabilities	<u>10,323,135</u>	<u>1,069,704</u>	<u>11,392,839</u>	<u>614,803</u>
Total liabilities	<u>19,773,415</u>	<u>1,498,087</u>	<u>21,271,502</u>	<u>692,373</u>
<b>Deferred inflows related to pensions/OPEB</b>	<u>67,584</u>	<u>7,324</u>	<u>74,908</u>	<u>32,851</u>
<b>Net position</b>				
Net investment in capital assets	89,800,593	2,013,285	91,813,878	141,163
Restricted for net pension/OPEB asset	41,605	4,522	46,127	20,267
Unrestricted	13,176,170	6,133,858	19,310,028	849,644
Total net position	<u>103,018,368</u>	<u>8,151,665</u>	<u>111,170,033</u>	<u>\$ 1,011,074</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				
	<u>101,944</u>	<u>2,945</u>	<u>104,889</u>	
Net position of business-type activities (page 33)	<u>\$ 103,120,312</u>	<u>\$ 8,154,610</u>	<u>\$ 111,274,922</u>	

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

**CITY OF SEDONA, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Business-Type Activities			Governmental Activities
	Wastewater	Public Transit	Total Enterprise Funds	Internal Service Fund
<b>Operating Revenues</b>				
Charges for services	\$ 6,284,071	\$ 1,433	\$ 6,285,504	\$ 2,302,361
Other revenues	48,899	-	48,899	-
Total operating revenues	<u>6,332,970</u>	<u>1,433</u>	<u>6,334,403</u>	<u>2,302,361</u>
<b>Operating Expenses</b>				
Salaries and employee benefits	1,448,642	174,931	1,623,573	641,204
Supplies and other	3,060,849	1,690,050	4,750,899	1,089,752
Depreciation and amortization	3,841,156	245,948	4,087,104	63,822
Total operating expenses	<u>8,350,647</u>	<u>2,110,929</u>	<u>10,461,576</u>	<u>1,794,778</u>
Operating income (loss)	(2,017,677)	(2,109,496)	(4,127,173)	507,583
<b>Nonoperating Revenues (Expenses)</b>				
Intergovernmental	-	51,874	51,874	-
Investment earnings (loss)	309,227	81,214	390,441	17,258
Other nonoperating revenue	6,621	-	6,621	-
Interest expense	(543,046)	(28,983)	(572,029)	(3,828)
Total nonoperating revenues (expenses)	<u>(227,198)</u>	<u>104,105</u>	<u>(123,093)</u>	<u>13,430</u>
Income before capital contributions and transfers	(2,244,875)	(2,005,391)	(4,250,266)	521,013
Capital contributions - capacity fees	1,156,631	-	1,156,631	-
Capital contributions - developer-contributed sewer lines	832,412	-	832,412	-
Transfers in	<u>4,664,372</u>	<u>9,916,929</u>	<u>14,581,301</u>	<u>34,210</u>
Change in net position (a)	4,408,540	7,911,538	12,320,078	555,223
Net position, beginning of year	<u>98,609,828</u>	<u>240,127</u>	<u>98,849,955</u>	<u>455,851</u>
Net position, end of year	<u>\$ 103,018,368</u>	<u>\$ 8,151,665</u>	<u>\$ 111,170,033</u>	<u>\$ 1,011,074</u>
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise fund (b)	<u>54,973</u>	<u>2,865</u>	<u>57,838</u>	
Changes in net position of business-type activities (a) + (b) (page 34)	<u>\$ 4,463,513</u>	<u>\$ 7,914,403</u>	<u>\$ 12,377,916</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, 2023**

	Business-Type Activities			Governmental Activities
	Wastewater	Public Transit	Total Enterprise Funds	Internal Service Fund
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 6,293,292	\$ 1,433	\$ 6,294,725	\$ 401
Receipts from other funds for goods and services provided	40,157	-	40,157	2,301,960
Receipt of customer deposits	3,860	-	3,860	-
Payments to suppliers and service providers	(1,402,855)	(2,015,107)	(3,417,962)	(972,237)
Payments for employee wages and benefits	(1,493,080)	(188,618)	(1,681,698)	(664,562)
Payments to other funds for services provided	(1,394,140)	(94,170)	(1,488,310)	(116,410)
Return of customer deposits	(5,935)	-	(5,935)	-
Net cash provided by (used for) operating activities	<u>2,041,299</u>	<u>(2,296,462)</u>	<u>(255,163)</u>	<u>549,152</u>
<b>Cash flows from noncapital financing activities</b>				
Noncapital grant receipts	-	47,998	47,998	-
Transfers from other funds	4,664,372	9,916,929	14,581,301	34,210
Net cash provided by (used for) noncapital financing activities	<u>4,664,372</u>	<u>9,964,927</u>	<u>14,629,299</u>	<u>34,210</u>
<b>Cash flows from capital and related financing activities</b>				
Proceeds from financed purchase	600,812	624,546	1,225,358	-
Capacity fees	1,156,631	-	1,156,631	-
Acquisition and construction of capital assets	(2,993,199)	(1,890,826)	(4,884,025)	(113,082)
Receipts from disposal of capital assets	6,621	-	6,621	-
Principal paid on capital debt	(1,398,523)	(143,878)	(1,542,401)	(15,213)
Interest paid on capital debt	(3,172,856)	(28,983)	(3,201,839)	(3,828)
Net cash provided by (used for) capital and related financing activities	<u>(5,800,514)</u>	<u>(1,439,141)</u>	<u>(7,239,655)</u>	<u>(132,123)</u>
<b>Cash flows from investing activities</b>				
Interest received (lost) on investments	292,445	71,809	364,254	15,549
Net change in cash and cash equivalents	1,197,602	6,301,133	7,498,735	466,788
Cash and cash equivalents - beginning of year (including \$17,000 for the Wastewater Fund reported in restricted accounts)	21,072,702	732,588	21,805,290	932,430
Cash and cash equivalents - end of year (including \$5,169,152 for the Wastewater Fund and \$633,593 for the Public Transit Fund reported in restricted accounts)	<u>\$ 22,270,304</u>	<u>\$ 7,033,721</u>	<u>\$ 29,304,025</u>	<u>\$ 1,399,218</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>				
Operating income (loss)	\$ (2,017,677)	\$ (2,109,496)	\$ (4,127,173)	\$ 507,583
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities</b>				
Depreciation expense	3,841,156	245,948	4,087,104	63,822
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable, net	(2,720)	-	(2,720)	-
Prepaid items	13,215	20,000	33,215	1,805
Net pension/OPEB asset	(4,588)	(416)	(5,004)	(2,279)
Deferred outflows of resources related to pensions/OPEB	12,737	(1,276)	11,461	(111)
Accounts payable	250,639	(439,227)	(188,588)	(700)
Accrued wages and benefits	16,977	2,744	19,721	4,623
Deposits payable	(2,075)	-	(2,075)	-
Unearned revenue	3,199	-	3,199	-
Compensated absences	11,917	(2,868)	9,049	12,581
Net pension/OPEB liability	215,334	21,225	236,559	106,046
Deferred inflows of resources related to pensions/OPEB	(296,815)	(33,096)	(329,911)	(144,218)
Net cash provided by (used for) operating activities	<u>\$ 2,041,299</u>	<u>\$ (2,296,462)</u>	<u>\$ (255,163)</u>	<u>\$ 549,152</u>
<b>Noncash investing, capital, and noncapital financing activities</b>				
Amortization of deferred amounts on refunding	\$ 8,630	\$ -	\$ 8,630	\$ -
Amortization of capital appreciation bonds	423,009	-	423,009	-
Contributions of capital assets	832,412	-	832,412	-
Lease inception	68,918	-	68,918	-

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

**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**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.

For the year ended June 30, 2023, the City implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. As a result, the City's financial statements have been modified to reflect the implementation of this new standard.

**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 governmentwide 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 Annual Comprehensive 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 Sedona 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 Districts' 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.



**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**1. Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation (Continued)**

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.

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/amortization 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 *Grants & Donations Fund* accounts for federal, state, and other grants and contributions which are restricted for specific use.

**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**1. Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation (Continued)**

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 March 1, 2028, the half-cent sales tax will be dedicated to public transit projects and operational costs.

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

The City reports the following major enterprise funds:

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

The *Public Transit Fund* accounts 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.

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 activity's 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 activity's 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.

**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**1. Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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 lease assets, are reported as expenditures in governmental funds. Issuances of long-term debt and acquisitions under financed purchases, lease contracts, and subscription-based information technology arrangements are reported as other financing sources.

Taxes, intergovernmental grants and aid, charges for services, court fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

**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, Capital Improvements Fund, Wastewater Fund, and Public Transit Fund for customer deposits, escrow account balances for financed purchase agreements, and trustee account balances for bond proceeds and bond payment accounts.

**3. Receivables**

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

**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**1. Summary of Significant Accounting Policies (Continued)**

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

**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.

**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:

<u>Capital Asset Classes</u>	<u>Useful Life (Years)</u>
Land improvements	6 to 50 Years
Buildings and improvements	6 to 30 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
Right-to-Use Subscription Assets	3 to 6 Years
Right-to-Use Lease Assets:	
Land improvements	6 to 50 Years
Buildings and improvements	30 Years
Machinery, Equipment, and Vehicles	3 to 6 Years

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the City is reasonably certain of being exercised, then the lease asset is amortized over the useful life of the underlying asset. Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying IT assets.

**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**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**

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.

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, court fines, grant reimbursements received after the period of availability, and other miscellaneous receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide and proprietary fund 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 funds are recorded as expense and liability of those funds 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 2023, the City paid for compensated absences as follows: 82% from the General Fund, 14% from major funds, and 4% from other funds.

**8. Long-Term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary type statement of net position. Bond premiums are amortized over the life of the bonds using the interest method to arrive at a periodic interest cost (including amortization) that will represent a level effective rate on the sum of the face amount of the debt and (plus or minus) the unamortized premium or discount and expense at the beginning of each period. 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.

**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**1. Summary of Significant Accounting Policies (Continued)**

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

**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.

**10. Leases and Subscription-Based Information Technology Arrangements**

**A. Leases**

As lessee, the City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements and recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City uses its estimated incremental borrowing rate as the discount rate for leases. The City's estimated incremental borrowing rate is based on historical market data and credit spread based on market data points compared to the lease commencement date.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

**B. Subscription-Based information technology arrangements**

The City recognizes subscription liabilities with an initial, individual value of \$5,000 or more. The City uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement. The City's estimated incremental borrowing rate is calculated as described above.

**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**1. Summary of Significant Accounting Policies (Continued)**

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

**11. 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.

**12. Fund Balance**

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, 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, 2023**

**1. Summary of Significant Accounting Policies (Continued)**

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

**12. 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 30% of the total adopted budgeted operating expenditures of the Fund.
- The budgetary fund balance range for the Wastewater Fund, including maintenance, operations, and administration, shall be not less than 25% (90 days) and not more than 33.3% (120 days) of the total budgeted operating expenses of the Fund. This shall be in addition to a separate budgetary fund balance with a target equal to the average of one year of remaining enterprise fund debt service repayment requirements for any debt issuances that do not have specified reserve requirements and are not covered by bond insurance, as well as a separate budgetary fund balance with a target of the higher of the next fiscal year's "pay-as-you-go" capital obligations or the average of the next five years "pay-as-you-go" capital obligations based on the City's adopted Capital Improvement Plan.
- The Capital Improvements Fund, coupled with estimated revenues for the ensuing fiscal year, must be sufficient to fund the "pay-as-you-go" capital fund obligations for the next fiscal year based on the City's adopted Capital Improvement Plan.

**2. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.



**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**2. Stewardship, Compliance, and Accountability (Continued)**

**A. Budgetary Information (Continued)**

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 all 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 (\$209,625) and the bank balance was \$46,777. The City uses an overnight sweep for investing a portion of the bank balances, so the deficit represents a net difference of outstanding checks that had not yet been presented for payment. At year-end, \$46,777 of the City's deposits was covered by federal depository insurance.

**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**3. Deposits and Investments (Continued)**

Total cash and investments at fair value as reported on June 30, 2023, are as follows:

<b>Deposits</b>	
Cash on hand	\$ 2,764
Cash in bank	(209,625)
<b>Investments</b>	
State Treasurer's investment pool	39,535,409
Negotiable certificates of deposit	668,840
Money market funds	43,680,727
U.S. agency securities	<u>20,673,367</u>
Total deposits and investments	104,351,482
Restricted assets	<u>(26,175,674)</u>
Total unrestricted deposits and investments	<u>\$ 78,175,808</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	\$ 20,673,367	\$ 1,996,503	\$ 9,843,769	\$8,833,095
Money market funds	43,680,727	43,680,727	-	-
Negotiable certificates of deposit	668,840	-	236,091	432,749
State Treasurer's investment pools	39,535,409	39,535,409	-	-
	<u>\$104,558,343</u>	<u>\$85,212,639</u>	<u>\$10,079,860</u>	<u>\$9,265,844</u>

*Credit Risk* – Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. The City's investment policy requires limiting investments in the portfolio to the asset classes designated as acceptable in accordance with state statutes, and conducting an analysis of the credit worthiness of all individual debt issuers held in the portfolio on an annual basis in an effort to guard against investing in weak or deteriorating credit situations. The City limits its investments to the State Treasurer's Investment Pool, U.S. agency securities, and negotiable certificates of deposit. The City's investment rating based on investment type is shown below:

**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**3. Deposits and Investments (Continued)**

Investment Type	Rating	Rating Agency	Fair Value
U.S. agency securities	AA+	Moody's	\$ 20,673,367
Money market funds	AAAm	S&P	43,592,909
Money market funds	Aaa-mf	Moody's	87,818
Negotiable certificates of deposit	N/R	N/R	668,840
State Treasurer's Investment Pool 5	AAAf/S1+	S&P	3,174,129
State Treasurer's Investment Pool 7	N/R	N/R	42,147
State Treasurer's Investment Pool 500	N/R	N/R	36,319,133
			<u>\$104,558,343</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 to 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	\$ 20,673,367	19.77%
Money market funds	43,680,727	41.77%
Negotiable certificates of deposit	668,840	0.64%
State Treasurer's investment pools	39,535,409	37.82%
Total investments	<u>\$104,558,343</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 on June 30, 2023.

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

The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level III). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

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

**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**3. Deposits and Investments (Continued)**

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 on June 30, 2023:

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	\$20,673,367	\$ -	\$20,673,367	\$ -
Negotiable certificates of deposit	668,840	-	668,840	-
Total investments by fair value level	21,342,207	\$ -	\$21,342,207	\$ -
<b>Investments Measured at Net Asset Value</b>				
State Treasurer’s investment pools	39,535,409			
Total investments measured at fair value	60,877,616			
<b>Investments Measured at Amortized Cost</b>				
Money market funds	43,680,727			
Total investments	\$104,558,343			

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, 2023**

**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	\$ 38,431	\$ -
Court fines receivable	218,010	-
In-lieu taxes receivable	543,698	-
Federal grant reimbursements receivable	11,643	-
<b>Grants &amp; Donations Fund</b>		
Grant advances prior to meeting all eligibility requirements	-	1,940,968
<b>Nonmajor Funds</b>		
In-lieu taxes receivable	10,476	-
	\$822,258	\$1,940,968

Approximately \$164,000 of the court fines receivable and \$2.0 million of the loans receivable reported in the General Fund are not expected to be collected within the next year.

The loans receivable includes \$1,979,774 for a development agreement with Sunset Lofts, LLC for the development of a multi-family workforce apartment complex. In exchange for a City loan 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. 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.

The loans receivable also includes \$36,864 for a down-payment assistance program. The City offers 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 \$40,000 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 City Council has authorized \$400,000 for an initial investment in the down-payment assistance program.

**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**5. Capital Assets**

**A. Governmental Activities**

Capital asset activity for governmental activities for the year ended June 30, 2023, was as follows:

	Balance as of June 30, 2022	Additions	Deductions	Balance as of June 30, 2023
Capital assets, not being depreciated				
Land	\$ 13,894,971	\$21,556,394	\$ (15,172)	\$ 35,436,193
Construction in progress	11,929,235	5,483,147	(8,033,649)	9,378,733
Total capital assets, not being depreciated	25,824,206	27,039,541	(8,048,821)	44,814,926
Capital assets, being depreciated/amortized				
Land improvements	11,600,934	156,423	-	11,757,357
Building and improvements	9,537,944	3,353,795	-	12,891,739
Infrastructure	53,364,570	4,676,773	-	58,041,343
Machinery, equipment, and vehicles	5,838,911	681,388	(183,988)	6,336,311
Right-to-use subscription assets	-	24,683	-	24,683
Right-to-use lease assets				
Land improvements	128,992	9,014	(24,105)	113,901
Building and improvements	2,277,233	-	-	2,277,233
Machinery equipment, and vehicles	462,537	36,684	-	499,221
Total capital assets, being depreciated/amortized	83,211,121	8,938,760	(208,093)	91,941,788
Less accumulated depreciation/amortization for				
Land improvements	(3,803,937)	(321,744)	-	(4,125,681)
Building and improvements	(5,367,862)	(361,808)	-	(5,729,670)
Infrastructure	(21,857,547)	(2,078,713)	-	(23,936,260)
Machinery, equipment, and vehicles	(4,578,875)	(532,993)	181,768	(4,930,100)
Right-to-use subscription assets	-	(2,430)	-	(2,430)
Right-to-use lease assets				
Land improvements	(21,724)	(12,672)	24,105	(10,291)
Building and improvements	(100,212)	(120,596)	-	(220,808)
Machinery, equipment, and vehicles	(171,399)	(103,687)	-	(275,086)
Total accumulated depreciation/amortization	(35,901,556)	(3,534,643)	205,873	(39,230,326)
Total capital assets, being depreciated/amortized, net	47,309,565	5,404,113	(2,220)	52,711,462
Governmental activities capital assets, net	\$ 73,133,771	\$32,443,654	\$(8,051,041)	\$ 97,526,388

**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**5. Capital Assets (Continued)**

**B. Business Type Activities**

Capital asset activity for business type activities for the year ended June 30, 2023, was as follows:

	Balance as of June 30, 2022	Additions	Deductions	Balance as of June 30, 2023
Capital assets, not being depreciated/amortized				
Land	\$ 11,159,413	\$ 1,717,047	\$ -	\$ 12,876,460
Construction in progress	3,378,856	2,983,112	(3,360,041)	3,001,927
Right-to-use lease assets				
Land	1,599,899	-	(1,599,899)	-
Total capital assets, not being depreciated/amortized	<u>16,138,168</u>	<u>4,670,159</u>	<u>(4,959,940)</u>	<u>15,878,387</u>
Capital assets, being depreciated/amortized				
Land improvements	71,407	163,743	-	235,150
Building and improvements	13,077	-	-	13,077
Wastewater system	144,509,259	4,096,283	-	148,605,542
Infrastructure	184,800	-	-	184,800
Machinery, equipment, and vehicles	6,770,205	58,607	(47,909)	6,780,903
Right-to-use lease assets				
Machinery, equipment, and vehicles	98,670	68,918	-	167,588
Total capital assets, being depreciated/amortized	<u>151,647,418</u>	<u>4,387,551</u>	<u>(47,909)</u>	<u>155,987,060</u>
Less accumulated depreciation/amortization for				
Land improvements	(4,375)	(1,691)	-	(6,066)
Building and improvements	(4,897)	(5,856)	-	(10,753)
Wastewater system	(59,791,150)	(3,619,821)	-	(63,410,971)
Infrastructure	-	(9,240)	-	(9,240)
Machinery, equipment, and vehicles	(5,712,015)	(426,775)	47,909	(6,090,881)
Right-to-use lease assets				
Machinery, equipment, and vehicles	(23,962)	(23,721)	-	(47,683)
Total accumulated depreciation/amortization	<u>(65,536,399)</u>	<u>(4,087,104)</u>	<u>47,909</u>	<u>(69,575,594)</u>
Total capital assets, being depreciated/amortized, net	<u>86,111,019</u>	<u>300,447</u>	<u>-</u>	<u>86,411,466</u>
Business type activities capital assets, net	<u>\$102,249,187</u>	<u>\$ 5,000,606</u>	<u>\$(4,959,940)</u>	<u>\$102,289,853</u>

**C. Depreciation/Amortization Expense**

Depreciation/amortization expense was charged to functions/programs as follows:

<b>Governmental Activities</b>	
General government	\$ 359,986
Public safety	399,661
Public works and streets	2,497,578
Culture and recreation	205,882
Health and welfare	7,714
Internal service fund	63,822
Total governmental activities depreciation/amortization expense	<u>\$3,534,643</u>
<b>Business-type Activities</b>	
Public Transportation	\$ 245,948
Wastewater	3,841,156
Total business-type activities depreciation/amortization expense	<u>\$4,087,104</u>

**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**5. Capital Assets (Continued)**

**D. Long-Term Storage Credits (LTSCs)**

At June 30, 2023, the City had 1,762.65 LTSCs on account with the Arizona Department of Water Resources (ADWR). The ADWR certifies the balance of LTSCs held on account and generated each year for the Wastewater Enterprise Fund's recharge of effluent. These credits are intangible assets with a book value of \$0. The Wastewater Enterprise Fund holds the LTSCs for sale or trade. Revenues will be recognized when a sale occurs.

**6. Construction Commitments**

The City has active construction projects on June 30, 2023. At fiscal year end, the City's commitments with contractors were as follows:

Project	Spent-to- Date	Remaining Commitment
<b>Governmental activities</b>		
Road rehabilitation/maintenance	\$ 919,820	\$ 182,642
Forest Road connection	4,811,715	9,611,983
Pedestrian crossing at Oak Creek	985,387	3,197,580
Improvements to Back O' Beyond low-water crossing	450,369	503,825
Navoti Drive to Dry Creek Road shared-use path	593,703	6,287
Total governmental activities	<u>\$7,760,994</u>	<u>\$13,502,317</u>
<b>Business-type activities</b>		
Major lift station upgrades	<u>\$2,768,239</u>	<u>\$3,981,098</u>

**7. Interfund Receivables, Payables, and Transfers**

Interfund transfers for the year ended June 30, 2023 consisted of the following:

Transfers to	Transfers from				Total
	General Fund	Grants & Donations Fund	Transportation Sales Tax Fund	Capital Improvements Fund	
General Fund	\$ -	\$ -	\$ -	\$ 484,963	\$ 484,963
Streets Fund	2,037,201	-	-	-	2,037,201
Grants & Donations Fund	7,643	-	-	-	7,643
Capital Improvements Fund	10,897,170	-	492,378	-	11,389,548
Nonmajor governmental funds	-	-	-	380,267	380,267
Wastewater Fund	3,200,000	1,464,372	-	-	4,664,372
Public Transit Fund	5,247,756	-	4,489,995	179,178	9,916,929
Internal Service Fund	34,210	-	-	-	34,210
Totals	<u>\$21,423,980</u>	<u>\$1,464,372</u>	<u>\$4,982,373</u>	<u>\$1,044,408</u>	<u>\$28,915,133</u>

During the year, transfers are used to (1) move General Fund resources assigned each year to support the Capital Improvements Fund (\$2,500,000), (2) move General Fund resources to provide an annual subsidy to the Wastewater Fund (\$3,200,000) and the Streets Fund (\$1,281,921), (3) move General Fund resources to the Public Transit Fund to cover costs for the Verde Shuttle system (\$247,756), (4) fund the Art in Public Places Fund, a nonmajor governmental fund, with 1% of construction projects funded with unrestricted monies (\$7,308), (5) move Transportation Sales Tax Fund revenues to the Public Transit Fund to cover operating costs and grant matches (\$2,702,704), and (6) move paid parking revenues to the Internal Service Fund for information technology costs associated with the paid parking program (\$34,210).



**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

Further, during the year ended June 30, 2023, the City made the following one-time transfers:

- A transfer to set up a fund balance target for the Streets Fund at 30% of the total adopted budgeted operating expenditures of the Fund (\$755,280).
- A transfer of surplus balances from the General Fund to the Capital Improvements Fund to cover anticipated future capital improvement costs (\$8,397,170).
- A transfer of surplus balances from the General Fund to the Public Transit Fund to contribute toward anticipated future system implementation costs (\$5,000,000).
- A transfer of Transportation Sales Tax Fund revenues to the Capital Improvements Fund (\$492,378) and the Public Transit Fund (\$1,787,291) to be used for transportation project expenditures incurred during the year.
- A transfer of American Rescue Plan Act (ARPA) monies from the Grants & Donations Fund to the Wastewater Fund to cover capital improvement costs related to the major lift station upgrades project (\$1,464,372).
- A transfer of investment earnings on bond proceeds and remaining balances of costs of issuance from the trustee accounts in the Capital Improvements Fund to the bond payment trustee accounts in the General Fund (\$484,963).
- A transfer of bond proceeds from the Capital Improvements Fund to the Development Impact Fees Fund, a nonmajor governmental fund, (\$372,959) and the Public Transit Fund (\$179,178) to cover projects in the City's Transportation Master Plan.
- Close-out of miscellaneous accounts in the Grants & Donations Fund (\$7,643).

**8. Financed Purchases**

The City has acquired vehicles, equipment, and building improvements under contract agreements at a total purchase price of \$3,433,004. The following schedule details debt service requirements to maturity for the City's financed purchases at June 30, 2023:

Year ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$250,998	\$24,735	\$ 366,531	\$ 71,025
2025	257,421	19,113	376,517	57,782
2026	198,437	13,329	388,158	43,404
2027	111,687	8,584	400,746	28,516
2028	36,147	5,504	264,929	13,088
2029 to 2031	116,730	8,453	-	-
Totals	\$971,420	\$79,418	\$1,796,881	\$213,815

**9. Leases**

In August 2021, the City entered into a 19-year lease as lessee with the Sedona-Oak Creek Unified School District for the property that formerly served as the site for the District's administrative functions. An initial lease liability was recorded in the amount of \$2,277,233. As of June 30, 2023, the value of the lease liability is \$2,081,096. The City is required to make monthly fixed payments of \$12,750 for the first year and \$13,500 monthly for the second and third years. In the fourth year and subsequent years, the monthly lease payment will be adjusted based on the Consumer Price Index escalation. The lease has an imputed interest rate of 1.5%. The agreement allows the City to have the first option to purchase the property after eight years of the lease, and the City will receive \$2,000 a month in credit from the lease towards purchase of the property.

In July 2021, the City entered into a 5-year lease as lessee for a postage meter. An initial lease liability was recorded in the amount of \$22,717. As of June 30, 2023, the value of the lease liability is \$13,709. The City is required to make quarterly fixed payments of \$1,153. The lease has an imputed interest rate of 0.6%.

**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**9. Leases (Continued)**

In January 2021, the City entered into a 28-month lease, with automatic 10-year renewals, as lessee for use of privately-owned parking as public parking. Due to implementation of GASB Statement No. 87 (GASB 87), *Leases*, a lease liability was recorded as of July 1, 2021 in the amount of \$98,146. As of June 30, 2023, the value of the lease liability is \$87,626. The City is required to make annual payments adjusted each year by the greater of 3% or the Consumer Price Index escalation. During the year, a payment of \$7,963 was made. The lease has an imputed interest rate of 1.2%.

In January 2019, the City entered into a 5-year lease as lessee for eleven copy machines. Due to implementation of GASB 87, a lease liability was recorded as of July 1, 2021 in the amount of \$41,318. As of June 30, 2023, the value of the lease liability is \$8,281. The City is required to make annual fixed payments of \$1,381, plus a per copy fee. The lease has an imputed interest rate of 0.2%.

In November 2013, the City entered into a 3-year lease, with automatic 1-year renewals, as lessee for use of privately-owned parking as public parking. Due to implementation of GASB 87, a lease liability was recorded as of July 1, 2021 in the amount of \$6,741. It was deemed reasonably certain that the lease would not be terminated before the next automatic 1-year renewal beginning November 2023. As of June 30, 2023, the value of the lease liability is \$6,739. The City is required to make quarterly fixed payments of \$1,125. The lease has an imputed interest rate of 0.2%.

From October 2019 to June 2023, the City entered into 5-year leases as lessee for nineteen vehicles. Due to implementation of GASB 87, a total lease liability as of July 1, 2021 for existing leases plus initial liability for new leases since that date was recorded in the amount of \$546,589. As of June 30, 2023, the value of the total lease liability is \$355,955. The City is required to make monthly fixed payments totaling \$12,562. The leases have imputed interest rates ranging from 4.7% to 9.75%.

The total amount of lease assets and the related accumulated amortization are as follows:

	Governmental Activities	Business Activities
Land improvements	\$ 113,901	\$ -
Buildings and improvements	2,277,233	-
Machinery, equipment, and vehicles	499,221	167,588
Less: accumulated amortization	(506,185)	(47,683)
Carrying value	\$2,384,170	\$119,904

The following schedule details minimum lease payments to maturity for the City's leases payable at June 30, 2023:

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
Year ending June 30				
2024	\$ 227,115	\$ 44,104	\$ 30,860	\$ 9,101
2025	190,170	36,675	28,044	6,776
2026	168,631	31,688	26,993	4,629
2027	141,887	27,441	22,401	2,484
2028	128,679	24,462	14,422	671
2029 to 2033	646,902	93,576	-	-
2034 to 2038	644,376	45,624	-	-
2039 to 2041	282,926	4,574	-	-
Total	\$2,430,686	\$308,144	\$122,720	\$23,661

**Variable lease payments** – One of the City's lease contracts includes variable lease payments that are not included in the lease liability because they are not fixed in substance. The lease of copiers includes a per copy charge. During the fiscal year ended June 30, 2023, the City recognized expenses of \$13,952 for variable lease payments not included in the measurement of the lease liabilities.

**CITY OF SEDONA, ARIZONA**  
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**10. Bonds Payable**

The following is a list of revenue obligation bonds outstanding as of June 30, 2023.

Description	Original Issue Amount	Interest Rates	Maturity Dates	Outstanding Principal
<b>Governmental activities</b>				
Revenue bonds				
Excise Tax Revenue Refunding Bonds, Second Series 2015	\$ 8,030,000	1.94%	7/1/24-27	\$ 3,910,000
Excise Tax Revenue Bonds, Series 2022	21,640,000	4.0%-5.0%	7/1/27-42	21,640,000
Excise Tax Revenue Bonds, Second Series 2022	<u>10,148,000</u>	4.21%	7/1/24-37	<u>9,479,000</u>
Total governmental activities	<u>39,818,000</u>			<u>35,029,000</u>
<b>Business type activities</b>				
Revenue bonds				
Excise Tax Revenue Bonds, Series 1998	41,035,000	5.24%	7/1/24	1,130,000
Excise Tax Revenue Refunding Bonds, Series 2021-2	<u>8,890,000</u>	1.16%	7/1/24-26	<u>8,643,000</u>
Total business-type activities	<u>49,925,000</u>			<u>9,773,000</u>
Total revenue bonds	<u>\$89,743,000</u>			<u>\$44,802,000</u>

During the year ended June 30, 2023, the City issued \$10,148,000 in excise tax revenue bonds, with an interest rate of 4.21%. The net proceeds were \$10,148,000. The bonds were used to finance one-half of the \$20,000,000 acquisition cost of 41 acres of land for possible affordable/workforce housing development, community gathering spaces, open space preservation, and other potential private-use development.

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, land acquisition, 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, 2023 to July 1, 2042. The future excise tax revenues pledged, which include unrestricted sales tax, franchise tax, vehicle license fees, unrestricted fines and forfeitures, unrestricted charges for services, and unrestricted licenses and permits, will repay \$44,802,000 in excise tax revenue refunding bonds, plus \$18,173,514 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 \$41,132,056. In the current year, total principal paid was \$2,919,000 and interest paid was \$4,789,063.

Debt service requirements on bonds payable on June 30, 2023 are as follows:

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 1,456,000	\$ 1,416,920	\$1,257,000	\$3,280,259
2025	1,502,000	1,377,074	4,233,000	98,785
2026	1,545,000	1,335,859	4,283,000	49,683
2027	2,523,000	1,293,287	-	-
2028	1,577,000	1,202,456	-	-
2029 to 2033	9,139,000	4,821,140	-	-
2034 to 2038	10,462,000	2,602,051	-	-
2039 to 2042	6,825,000	696,000	-	-
Totals	<u>\$35,029,000</u>	<u>\$14,744,787</u>	<u>\$9,773,000</u>	<u>\$3,428,727</u>

**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. Changes in Long-Term Obligations**

Changes in long-term obligations for the year ended June 30, 2023, are as follows:

	Balance, June 30, 2022	Additions	Reductions	Balance, June 30, 2023	Due Within One Year
<b>Governmental activities</b>					
<b>Bonds payable</b>					
Revenue bonds	\$26,485,000	\$10,148,000	\$(1,604,000)	\$35,029,000	\$1,456,000
Premium	3,783,903	-	-	3,783,903	-
Total bonds payable	<u>30,268,903</u>	<u>10,148,000</u>	<u>(1,604,000)</u>	<u>38,812,903</u>	<u>1,456,000</u>
<b>Other liabilities</b>					
Compensated absences	618,899	557,167	(486,205)	689,861	482,485
Finance purchases	1,216,264	-	(244,844)	971,420	250,998
Leases	2,576,968	49,944	(196,226)	2,430,686	227,115
Net pension/OPEB liability	10,417,529	4,342,308	-	14,759,837	-
Total other liabilities	<u>14,829,660</u>	<u>4,949,419</u>	<u>(927,275)</u>	<u>18,851,804</u>	<u>960,598</u>
Total governmental activities	<u>\$45,098,563</u>	<u>\$15,097,419</u>	<u>\$(2,531,275)</u>	<u>\$57,664,707</u>	<u>\$2,416,598</u>

	Balance, June 30, 2022	Additions	Reductions	Balance, June 30, 2023	Due Within One Year
<b>Business-Type activities</b>					
<b>Bonds payable and related interest</b>					
Revenue bonds	\$11,088,000	\$ -	\$(1,315,000)	\$ 9,773,000	\$1,257,000
Capital appreciation bond interest	5,660,018	423,009	(3,120,000)	2,963,027	2,963,027
Total bonds payable and related interest	<u>16,748,018</u>	<u>423,009</u>	<u>(4,435,000)</u>	<u>12,736,027</u>	<u>4,220,027</u>
<b>Other liabilities:</b>					
Compensated absences	76,287	66,771	(57,722)	85,336	55,377
Financed purchases	710,125	1,225,358	(138,603)	1,796,880	366,531
Leases	1,670,600	68,918	(1,616,798)	122,720	30,860
Net pension/OPEB liability	1,088,112	236,559	-	1,324,671	-
Total other liabilities	<u>3,545,124</u>	<u>1,597,606</u>	<u>(1,813,123)</u>	<u>3,329,607</u>	<u>452,768</u>
Total business-type activities	<u>\$20,293,142</u>	<u>\$2,020,615</u>	<u>\$(6,248,123)</u>	<u>\$16,065,634</u>	<u>\$4,672,795</u>

**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**12. Fund Balance**

The following represents the classifications of the City's fund balance for fiscal year ended June 30, 2023:

	General Fund	Streets Fund	Grants & Donations Fund	Transportation Sales Tax Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Totals
<b>Nonspendable</b>							
Long-term loans receivable	\$ 2,016,638	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,016,638
Prepaid items	22,515	1,000	-	27,000	46,000	-	96,515
Deposits held for others	-	-	9,000	-	-	-	9,000
<b>Restricted</b>							
Streets capital improvements	-	-	-	-	-	279,494	279,494
Court improvements	55,877	-	-	-	-	-	55,877
Criminal case processing	55,926	-	-	-	-	-	55,926
Police Department programs	38	-	25,093	-	-	-	25,131
Parks capital improvements	-	-	-	-	-	2,771,413	2,771,413
Transportation projects	-	-	-	-	18,968,071	-	18,968,071
Summit CFD capital improvements	-	-	-	-	-	301,370	301,370
Fairfield CFD capital improvements	-	-	-	-	-	180,739	180,739
Police Department vehicles	88,469	-	-	-	-	-	88,469
Public art	-	-	-	-	-	32,500	32,500
<b>Committed</b>							
Court enhancements	26,975	-	-	-	-	-	26,975
Transportation projects	-	-	-	7,767,928	-	-	7,767,928
Public art	-	-	-	-	-	150,193	150,193
PSPRS contributions	1,200,000	-	38,910	-	-	-	1,238,910
Equipment replacement	1,576,178	60,920	-	-	-	-	1,637,098
Military park	-	-	6,760	-	-	-	6,760
<b>Assigned</b>							
Affordable housing	14,583,362	-	-	-	-	-	14,583,362
Budget carryovers	242,000	-	-	-	-	-	242,000
General streets maintenance	-	694,360	-	-	-	-	694,360
Streets rehabilitation/pavement preservation	-	300,000	-	-	-	-	300,000
Capital improvements	1,439,682	-	-	-	8,960,208	-	10,399,890
Special events	-	-	16,968	-	-	-	16,968
Police Department programs	-	-	25,636	-	-	-	25,636
Employee programs	-	-	1,180	-	-	-	1,180
Park improvements	-	-	3,276	-	-	-	3,276
Recreation programs	-	-	890	-	-	-	890
Police Explorers program	-	-	8,491	-	-	-	8,491
<b>Unassigned</b>	13,490,819	-	-	-	-	(740,558)	12,750,261
<b>Totals</b>	<b>\$34,798,479</b>	<b>\$1,056,280</b>	<b>\$136,204</b>	<b>\$7,794,928</b>	<b>\$27,974,279</b>	<b>\$2,975,151</b>	<b>\$74,735,321</b>

**CITY OF SEDONA, ARIZONA**  
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**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 78 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 \$10,000,000 per occurrence on a follow form, claims-made basis. No significant insurance coverage reduction 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.

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.

On June 30, 2023, 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	\$ 400,468	\$ 46,127	\$ 446,595
Net pension and OPEB liability	14,759,837	1,324,671	16,084,508
Deferred outflows of resources related to pensions and OPEB	5,792,332	276,406	6,068,738
Deferred inflows of resources related to pensions and OPEB	601,476	74,908	676,384
Pension and OPEB expense	2,273,199	48,976	2,322,175

The City’s accrued payroll and employee benefits includes \$67,139 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2023. Also, the City reported \$3,052,070 of pension and OPEB contributions as expenditures in the governmental funds and \$135,870 of pension and OPEB contributions as expenses in the enterprise funds and \$51,257 of pension and OPEB contributions as expenses in the internal service fund related to all plans to which it contributes.

**CITY OF SEDONA, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**14. Retirement Plans (Continued)**

**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:

	Retirement initial membership date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

\* With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

**CITY OF SEDONA, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**14. Retirement Plans (Continued)**

**A. Arizona State Retirement System (Continued)**

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2023, statute required active ASRS members to contribute at the actuarially determined rate of 12.17 percent (12.03 percent for retirement and 0.14 percent for long term disability) of the members’ annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 12.17 percent (11.92 percent for retirement, 0.11 percent for health insurance premium benefit, and 0.14 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 9.68 percent (9.62 percent for retirement and 0.06 percent for long term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the ASRS would typically fill. The City’s contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2023, were \$1,027,348, \$9,481, and \$16,481, respectively.

During fiscal year 2023, the City paid for ASRS pension and OPEB contributions as follows: 77.1 percent from the General Fund, 17.2 percent from major funds, and 5.7 percent from other funds.

**Liability** – At June 30, 2023, the City reported the following asset and liabilities for its proportionate share of the ASRS’ net pension/OPEB asset or liability.

	Net pension/ OPEB (asset) liability
Pension	\$10,575,166
Health insurance premium benefit	(368,401)
Long-term disability	6,028

The net asset and net liabilities were measured as of June 30, 2022. 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, 2021, to the measurement date of June 30, 2022.

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, 2022. The City’s proportions measured as of June 30, 2022, and the change from its proportions measured as of June 30, 2021, were:

	Proportion June 30, 2022	Increase (decrease) from June 30, 2021
Pension	0.06479%	0.00491%
Health insurance premium benefit	0.06601%	0.00488%
Long-term disability	0.06527%	0.00476%

**Expense** – For the year ended June 30, 2023, the City recognized the following pension and OPEB expense.

	Pension/ OPEB expense
Pension	\$1,408,882
Health insurance premium benefit	(55,066)
Long-term disability	2,299



**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**14. Retirement Plans (Continued)**

**A. Arizona State Retirement System (Continued)**

**Deferred outflows/inflows of resources** – On June 30, 2023, 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	\$ 90,107	\$ -	\$ -	\$ 188,012	\$ 3,138	\$ 5,617
Changes of assumptions or other inputs	524,866	-	5,979	10,048	3,283	14,713
Net difference between projected and actual earnings on plan investments	-	278,558	-	12,410	-	187
Changes in proportion and differences between City contributions and proportionate share of contributions	494,306	88,338	476	5,767	2,971	957
City contributions subsequent to the measurement date	1,027,348	-	9,481	-	16,481	-
<b>Totals</b>	<b>\$2,136,627</b>	<b>\$366,896</b>	<b>\$15,936</b>	<b>\$216,237</b>	<b>\$25,873</b>	<b>\$21,474</b>

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, 2024. 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	Health insurance premium benefit		Long-term disability
	Pension		
2024	\$ 672,743	\$(57,434)	\$ (900)
2025	107,438	(62,395)	(1,239)
2026	(483,646)	(68,269)	(2,651)
2027	445,848	(11,285)	(186)
2028	-	(10,399)	(2,692)
Thereafter	-	-	(4,414)

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

Actuarial valuation date	June 30, 2021
Actuarial roll forward date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9-8.4% 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

**CITY OF SEDONA, ARIZONA**  
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**14. Retirement Plans (Continued)**

**A. Arizona State Retirement System (Continued)**

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 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. 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%	3.90%
Fixed income – credit	20%	5.30%
Fixed income – interest rate sensitive	10%	(0.20%)
Real estate	20%	6.00%
Total	<u>100%</u>	

**Discount rate** – At June 30, 2022, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 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 7.0 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 (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

City’s Proportionate share of the	1% Decrease (6.0%)	Current discount rate (7.0%)	1% Increase (8.0%)
Net pension liability	\$15,603,344	\$10,575,166	\$6,382,452
Net insurance premium benefit liability (asset)	(264,900)	(368,401)	(456,219)
Net long-term disability liability	9,993	6,028	2,186

**Plan fiduciary net position** – Detailed information about the plans’ fiduciary net position is available in the separately issued ASRS financial report.

**CITY OF SEDONA, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**14. Retirement Plans (Continued)**

**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 Tier 3 Risk Pool net pension/OPEB asset, deferred outflows of resources, deferred inflows of resources, and net pension/OPEB expense reported is \$11,905, \$49,328, \$21,909, and \$(22,862), respectively.

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:

	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.

**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**14. Retirement Plans (Continued)**

**B. Public Safety Personnel Retirement System (Continued)**

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** – On June 30, 2022, the following employees were covered by the agent plans’ benefit terms:

	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	17	17
Inactive employees entitled to but not yet receiving benefits	5	-
Active employees	17	17
Total	39	34

**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, 2023, are indicated below. Rates are a percentage of active members’ annual covered payroll.

Active member – pension	City – pension	City – health insurance premium benefit
7.65%-11.65%	34.21%	0.26%

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
21.94%	0.00%

The City’s contributions to the plans for the year ended June 30, 2023, were:

Pension	Health insurance premium benefit
\$2,160,735	\$8,822

During fiscal year 2023, the City paid for PSPRS pension and OPEB contributions as follows: 97.0% from the General Fund and 3.0% from the Grants and Donations Fund.

**Liability** – At June 30, 2023, the City reported the following assets and liabilities.

Net pension (asset) liability	Net OPEB (asset) liability
\$5,503,314	\$(66,289)

**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**14. Retirement Plans (Continued)**

**B. Public Safety Personnel Retirement System (Continued)**

The net assets and net liabilities were measured as of June 30, 2022, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of the return from 7.3 percent to 7.2 percent, changing the wage inflation from 3.5 percent to a range of 3.0-6.25 percent, and increasing the cost-of-living adjustment from 1.75 percent to 1.85 percent.

During the fiscal year 2023 budget process, management recommended paying down the unfunded liability using a level payment approach resulting in annual payments of approximately \$1.1 million over the remaining 15-year unfunded liability amortization period, plus additional an additional contribution of \$1.0 million and any Smart & Safe Arizona Fund distributions as additional payments.

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

Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3.0-6.25% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.85% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.2 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	24%	3.49%
International public equity	16%	4.47%
Global private equity	20%	7.18%
Other assets (capital appreciation)	7%	4.83%
Core bonds	2%	0.45%
Private credit	20%	5.10%
Diversifying strategies	10%	2.68%
Cash – Mellon	1%	(0.35%)
Total	<u>100%</u>	

**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**14. Retirement Plans (Continued)**

**B. Public Safety Personnel Retirement System (Continued)**

**Discount rate** – On June 30, 2022, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.2 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2021. 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.

**Changes in the net pension/OPEB liability**

	Pension increase (decrease)			Health insurance premium benefit increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension (asset) liability (a) - (b)	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB (asset) liability (a) - (b)
Balances on June 30, 2022	\$15,304,344	\$11,679,159	\$3,625,185	\$271,749	\$347,020	\$(75,271)
<b>Changes for the year</b>						
Service cost	312,682	-	312,682	7,221	-	7,221
Interest on the total liability	1,110,818	-	1,110,818	19,812	-	19,812
Differences between expected and actual experience in the measurement of the liability	882,313	-	882,313	(34,104)	-	(34,104)
Change of assumptions or other inputs	301,702	-	301,702	2,348	-	2,348
Contributions – employer	-	1,016,035	(1,016,035)	-	-	-
Contributions – employee	-	216,507	(216,507)	-	-	-
Net investment income	-	(494,243)	494,243	-	(13,465)	13,465
Benefit payments, including refunds of employee contributions	(800,677)	(800,677)	-	(15,136)	(15,136)	-
Administrative expense	-	(8,913)	8,913	-	(240)	240
Net changes	1,806,838	(71,291)	1,878,129	(19,859)	(28,841)	8,982
Balances on June 30, 2023	\$17,111,182	\$11,607,868	\$5,503,314	\$251,890	\$318,179	\$(66,289)

**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 7.2 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 (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate:

	1% Decrease (6.2%)	Current discount rate (7.2%)	1% Increase (8.2%)
Net pension (asset) liability	\$7,901,817	\$5,503,314	\$3,553,027
Net OPEB (asset) liability	(35,667)	(66,289)	(91,825)

**Plan fiduciary net position** – Detailed information about the plans’ fiduciary net position is available in the separately issued PSPRS financial report.

**CITY OF SEDONA, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**14. Retirement Plans (Continued)**

**B. Public Safety Personnel Retirement System (Continued)**

**Expense** – For the year ended June 30, 2023, the City recognized the following pension and OPEB expense:

Pension	OPEB
<u>expense</u>	<u>expense</u>
\$952,483	\$6,865

**Deferred outflows/inflows of resources** – On June 30, 2023, 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	\$ 918,572	\$10,613	\$59,408
Changes of assumptions or other inputs	346,474	-	2,684	1,429
Net difference between projected and actual earnings on plan investments	314,666	-	2,613	-
City contributions subsequent to the measurement date	2,160,735	-	8,822	-
<b>Totals</b>	<u>\$3,767,447</u>	<u>\$10,613</u>	<u>\$73,527</u>	<u>\$39,255</u>

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2024. 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
2024	\$547,459	\$4,899
2025	533,465	6,987
2026	242,723	3,186
2027	272,452	10,378
2028	-	-

**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, 2023, active PSPDCRP members were required by statute to contribute at least 9 percent of the members' annual covered payroll, and the City was required by statute to contribute 9 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 City contributions when forfeited because of employment terminations. For the year ended June 30, 2023, the City recognized pension expense of \$29,574.

**CITY OF SEDONA, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023**

**15. Contingent Liabilities**

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

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

**16. Budgetary Basis**

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

1. The General Fund as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances includes the expenditures for financed purchases that had the proceeds deposited in the escrow accounts during fiscal year 2022. This activity is not included in the City's adopted budget approved by Council.
2. The General Fund as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances includes the proceeds from leases as other financing sources and offsetting expenditures. This activity is not included in the City's adopted budget approved by Council.
3. The General Fund and Streets Fund as reported in the Budgetary Comparison Schedules include departmental contributions to an equipment replacement reserve as expenditures.

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

	General Fund		Streets Fund
	Total Expenditures	Other Financing Sources (Uses)	Total Expenditures
Statement of Revenues, Expenditures, and Changes in Fund Balances	\$28,069,397	\$(20,872,271)	\$2,330,263
Financed purchase expenditures included in Statement of Revenues, Expenditures, and Changes in Fund Balances	(289,275)	-	-
Lease proceeds and expenditures included in Statement of Revenues, Expenditures, and Changes in Fund Balances	(49,944)	(49,944)	-
Equipment replacement reserve charge included for budgetary basis presentation	241,390	-	60,920
Budgetary Comparison Schedule	\$27,971,568	\$(20,922,215)	\$2,391,183

**17. Subsequent Events**

In November 2023, the City entered into a construction contract for \$4,468,058 for roadway capacity enhancements to improve northbound traffic flows through the Uptown area.

In December 2023, the City Council approved a 75-year land lease agreement, including a \$2.25 million loan, with Villas on Shelby, LLC for the development of a three-story 30-unit apartment building. All units will be affordable to households at or below 60% of the area median income. The Arizona Department of Housing (ADOH) has offered other funding and financing to support the project. The City's loan will cover the gap needed to fully fund the \$14.5 million project and maintain the proposed affordability of rents. The Villas on Shelby, LLC will pay \$50,000 upfront and \$1,200 annually thereafter. The City has the option to purchase all of the improvements for \$100 after year 30. The City's loan will be subordinate to the ADOH loan but still protected by a leasehold deed of trust and promissory note.



**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)									
	2023 2022	2022 2021	2021 2020	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014	2014 (2013)
<b>ASRS – Pension</b>										
City's proportion of the net pension liability	0.064790%	0.059880%	0.061710%	0.060670%	0.061800%	0.058470%	0.054700%	0.051940%	0.050427%	Information
City's proportionate share of the net pension liability	\$10,575,166	\$7,867,965	\$10,692,196	\$8,828,191	\$8,618,925	\$9,108,486	\$8,829,130	\$8,090,772	\$7,461,507	not available
City's covered payroll	\$7,764,801	\$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 proportionate share of the net pension liability as a percentage of its covered payroll	136.19%	116.21%	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	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

	Reporting fiscal year (Measurement date)						
	2023 2022	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2014
<b>ASRS – Health insurance premium benefit</b>							
City's proportion of the net OPEB liability (asset)	0.066010%	0.061130%	0.062890%	0.061540%	0.062440%	0.058890%	Information
City's proportionate share of the net OPEB liability (asset)	\$(368,401)	\$(297,831)	\$(44,526)	\$(17,008)	\$(22,484)	\$(32,060)	not available
City's covered payroll	\$7,764,801	\$6,770,609	\$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	(4.74)%	(4.40)%	(0.65)%	(0.27)%	(0.37)%	(0.57)%	
Plan fiduciary net position as a percentage of the total OPEB liability	137.79%	130.24%	104.33%	101.62%	102.20%	103.57%	

	Reporting fiscal year (measurement date)						
	2023 2022	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2014
<b>ASRS – Long-term disability</b>							
City's proportion of the net OPEB liability	0.065270%	0.060510%	0.062360%	0.061180%	0.061910%	0.058510%	Information
City's proportionate share of the net OPEB liability	\$6,028	\$12,491	\$47,307	\$39,855	\$32,348	\$21,209	not available
City's covered payroll	\$7,764,801	\$6,770,609	\$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	0.08%	0.18%	0.69%	0.63%	0.53%	0.37%	
Plan fiduciary net position as a percentage of the total OPEB liability	95.40%	90.38%	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)									
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
<b>PSPRS Police</b>										
Total pension liability										
Service cost	\$ 312,682	\$ 316,047	\$ 341,549	\$ 370,528	\$ 356,017	\$ 418,975	\$ 292,709	\$ 299,781	\$ 226,906	Information not available
Interest on the total pension liability	1,110,818	1,068,437	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	882,313	(966)	313,044	394,857	(232,384)	(31,720)	108,055	(309,534)	(285,532)	
Changes of assumptions or other inputs	301,702	-	-	360,590	-	277,336	411,683	-	872,086	
Benefit payments, including refunds of employee contributions	(800,677)	(798,494)	(629,300)	(645,490)	(493,585)	(482,678)	(465,793)	(387,285)	(564,587)	
Net change in total pension liability	1,806,838	585,024	1,026,810	1,394,103	498,175	1,116,727	1,543,298	293,958	993,350	
Total pension liability - beginning	15,304,344	14,719,320	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)	\$17,111,182	\$15,304,344	\$14,719,320	\$13,692,510	\$12,298,407	\$11,800,232	\$10,683,505	\$9,140,207	\$8,846,249	
Plan fiduciary net position										
Contributions - employer	\$ 1,016,035	\$ 1,135,903	\$ 875,434	\$ 894,934	\$ 879,735	\$ 444,238	\$ 483,472	\$ 396,718	\$ 287,018	
Contributions - employee	216,507	134,986	137,348	148,600	204,147	178,624	182,485	185,850	158,370	
Net investment income	(494,243)	2,295,877	117,990	455,645	510,813	722,712	35,088	193,322	647,862	
Benefit payments, including refunds of employee contributions	(800,677)	(798,494)	(629,300)	(645,490)	(493,585)	(482,678)	(465,793)	(387,285)	(564,587)	
Administrative expense	(8,913)	(12,073)	(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	(71,291)	2,756,199	491,850	844,772	945,815	838,845	238,587	388,303	286,696	
Plan fiduciary net position - beginning	11,676,159	8,922,960	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)	\$11,607,868	\$11,676,159	\$8,922,960	\$8,431,110	\$7,586,338	\$6,640,523	\$5,801,678	\$5,563,091	\$5,174,788	
City's net pension liability - ending (a) - (b)	\$5,503,314	\$3,625,185	\$5,796,360	\$5,261,400	\$4,712,069	\$5,159,709	\$4,881,827	\$3,577,116	\$3,671,461	
Plan fiduciary net position as a percentage of the total pension liability	67.84%	76.31%	60.62%	61.57%	61.69%	56.27%	54.31%	60.86%	58.50%	
Covered payroll	\$2,407,191	\$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 net pension liability as a percentage of covered payroll	228.62%	164.44%	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)						
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2014
<b>PSPRS Health Insurance Premium Benefit</b>							
Total OPEB Liability							
Service cost	\$ 7,221	\$ 7,653	\$ 8,094	\$ 6,453	\$ 6,095	\$ 6,791	Information not available
Interest on the total OPEB liability	19,812	16,003	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	(34,104)	54,489	44,920	(19,338)	3,179	(18,591)	
Changes of assumptions or other inputs	2,348	-	-	1,877	-	(11,785)	
Benefit payments	(15,136)	(35,935)	(17,628)	(7,596)	(4,244)	(4,140)	
Net change in total OPEB liability	(19,859)	42,210	48,714	(4,680)	17,529	(13,589)	
Total OPEB liability - beginning	271,749	229,539	180,825	185,505	167,976	181,565	
Total OPEB liability - ending (a)	<u>\$251,890</u>	<u>\$271,749</u>	<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	(13,465)	81,616	3,923	16,488	20,233	(4,140)	
Benefit payments	(15,136)	(35,935)	(17,628)	(7,596)	(4,244)	(274)	
Administrative expense	(240)	(336)	(319)	(285)	(308)	-	
Other changes	-	-	-	-	1	-	
Net change in plan fiduciary net position	(28,841)	45,345	(14,024)	8,607	15,682	26,563	
Plan fiduciary net position - beginning	347,020	301,675	315,699	307,092	291,410	264,847	
Plan fiduciary net position - ending (b)	<u>\$318,179</u>	<u>\$347,020</u>	<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>\$(66,289)</u>	<u>\$(75,271)</u>	<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	126.32%	127.70%	131.43%	174.59%	165.54%	173.00%	
Covered payroll	\$2,407,191	\$2,204,518	\$1,896,886	\$1,688,863	\$1,816,663	\$1,620,810	
City's net OPEB (asset) liability as a percentage of covered payroll	(2.75)%	(3.41)%	(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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>ASRS – Pension</b>										
Statutorily required contribution	\$1,027,348	\$931,126	\$771,906	\$747,790	\$715,706	\$664,293	\$612,991	\$570,333	\$520,998	\$509,997
City’s contributions in relation to the statutorily required contribution	1,027,348	931,126	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	\$8,675,868	\$7,764,801	\$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	11.84%	11.99%	11.40%	10.98%	11.27%	10.92%	10.80%	11.01%	10.63%	10.95%

	Reporting Fiscal Year								2016 through 2014
	2023	2022	2021	2020	2019	2018	2017		
<b>ASRS – Health insurance premium benefit</b>									
Statutorily required contribution	\$9,481	\$16,281	\$33,034	\$30,414	\$29,448	\$26,816	\$31,844	Information not available	
City’s contributions in relation to the statutorily required contribution	9,481	16,281	33,034	30,414	29,448	26,816	31,844	Information not available	
City’s contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
City’s covered payroll	\$8,675,868	\$7,764,801	\$6,770,609	\$6,811,200	\$6,348,867	\$6,083,565	\$5,674,189		
City’s contributions as a percentage of covered payroll	0.11%	0.21%	0.49%	0.45%	0.46%	0.44%	0.56%		

	Reporting Fiscal Year								2016 through 2014
	2023	2022	2021	2020	2019	2018	2017		
<b>ASRS – Long-term disability</b>									
Statutorily required contribution	\$16,481	\$14,484	\$11,460	\$11,240	\$10,243	\$9,751	\$7,961	Information not available	
City’s contributions in relation to the statutorily required contribution	16,481	14,484	11,460	11,240	10,243	9,751	7,961	Information not available	
City’s contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
City’s covered payroll	\$8,675,868	\$7,764,801	\$6,770,609	\$6,811,200	\$6,348,867	\$6,083,565	\$5,674,189		
City’s contributions as a percentage of covered payroll	0.19%	0.19%	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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>PSPRS Police</b>										
Actuarially determined contribution	\$ 526,719	\$ 667,163	\$ 687,646	\$ 511,870	\$ 636,952	\$ 607,984	\$ 431,195	\$ 431,873	\$ 293,040	\$ 287,018
City's contributions in relation to the actuarially determined contribution	2,160,735	1,049,464	687,646	967,916	994,591	659,507	504,595	431,873	293,040	287,018
City's contribution deficiency (excess)	<u>\$(1,634,016)</u>	<u>\$(382,301)</u>	<u>\$ -</u>	<u>\$(456,046)</u>	<u>\$(357,639)</u>	<u>\$(51,523)</u>	<u>\$(73,400)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$2,171,480	\$2,407,191	\$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	99.51%	43.60%	31.19%	51.03%	58.89%	36.30%	31.13%	21.77%	15.57%	17.38%

	Reporting Fiscal Year								2016 through 2014
	2023	2022	2021	2020	2019	2018	2017		
<b>PSPRS Health Insurance Premium Benefit</b>									
Actuarially determined contribution	\$ 280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	- Information not available
City's contributions in relation to the actuarially determined contribution	8,822	-	-	-	-	-	-	-	-
City's contribution deficiency (excess)	<u>\$(8,542)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
City's covered payroll	\$2,171,480	\$2,407,191	\$2,204,518	\$1,896,886	\$1,688,863	\$1,816,663	\$1,620,810		
City's contributions as a percentage of covered payroll	0.41%	-%	-%	-%	-%	-%	-%	-%	

See accompanying notes to pension/OPEB plan schedules.

**CITY OF SEDONA, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 NOTES TO PENSION/OPEB PLAN SCHEDULES  
 JUNE 30, 2023**

**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 2021 actuarial valuation	15 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
<b>Actuarial Assumptions:</b>	
Investment rate of return	In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. 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 2019 actuarial valuation, changed to PubS-2010 tables. 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

### 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 necessitated by new development. The City’s Land Development Code Ordinance, sec. 1608.03(C) provides that any portion of the development impact fee that has not been spent within ten years for improvements that provide a beneficial use to the development that paid the fee shall be refunded. Arizona State case law (Home Builders Assn of Cent. Arizona v. City of Scottsdale, 187 Ariz. 479 (1997)) held that the enabling statute for imposition of development impact fees only implicitly requires that a municipality develop plans indicating a good faith intent to use the fees to provide services within a reasonable time.

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**CITY OF SEDONA, ARIZONA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	Capital Projects Funds				Total Nonmajor Governmental Funds
	Sedona Summit II Community Facilities District	Fairfield Community Facilities District	Art in Public Places	Development Impact Fees	
<b>Assets</b>					
Cash and investments	\$ 300,250	\$ 148,481	\$ 199,247	\$ 2,512,585	\$ 3,160,563
Receivables, net of allowance for uncollectibles					
Accounts, net	11,069	31,997	-	-	43,066
Accrued interest	527	261	361	5,651	6,800
Total assets	<u>\$ 311,846</u>	<u>\$ 180,739</u>	<u>\$ 199,608</u>	<u>\$ 2,518,236</u>	<u>\$ 3,210,429</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 16,915	\$ 9,020	\$ 25,935
Accrued wages and benefits	-	-	-	1,455	1,455
Construction contracts payable	-	-	-	51,567	51,567
Interest payable	-	-	-	89,490	89,490
Retainage payable	-	-	-	56,355	56,355
Total liabilities	<u>-</u>	<u>-</u>	<u>16,915</u>	<u>207,887</u>	<u>224,802</u>
<b>Deferred Inflows of Resources</b>					
Deferred inflows - unavailable revenue	<u>10,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,476</u>
<b>Fund Balances (Deficits)</b>					
Restricted	301,370	180,739	32,500	3,050,907	3,565,516
Committed	-	-	150,193	-	150,193
Unassigned	-	-	-	(740,558)	(740,558)
Total fund balances (deficits)	<u>301,370</u>	<u>180,739</u>	<u>182,693</u>	<u>2,310,349</u>	<u>2,975,151</u>
Total liabilities and fund balances (deficits)	<u>\$ 311,846</u>	<u>\$ 180,739</u>	<u>\$ 199,608</u>	<u>\$ 2,518,236</u>	<u>\$ 3,210,429</u>

**CITY OF SEDONA, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Capital Projects Funds				Total Nonmajor Governmental Funds
	Sedona Summit II Community Facilities District	Fairfield Community Facilities District	Art in Public Places	Development Impact Fees	
<b>Revenues</b>					
In-lieu taxes	\$ 34,625	\$ 116,145	\$ -	\$ -	\$ 150,770
Contributions	-	-	65,000	-	65,000
Impact fees	-	-	-	571,198	571,198
Investment earnings (loss)	3,723	1,021	2,433	43,977	51,154
Other revenues	-	-	46,507	-	46,507
Total revenues	<u>38,348</u>	<u>117,166</u>	<u>113,940</u>	<u>615,175</u>	<u>884,629</u>
<b>Expenditures</b>					
Debt service					
Interest and fiscal charges	-	-	-	115,754	115,754
Capital outlay	105,148	-	130,000	830,525	1,065,673
Total expenditures	<u>105,148</u>	<u>-</u>	<u>130,000</u>	<u>946,279</u>	<u>1,181,427</u>
Excess (deficiency) of revenues over expenditures	(66,800)	117,166	(16,060)	(331,104)	(296,798)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	7,308	372,959	380,267
Net change in fund balances	(66,800)	117,166	(8,752)	41,855	83,469
Fund balances - beginning of year	<u>368,170</u>	<u>63,573</u>	<u>191,445</u>	<u>2,268,494</u>	<u>2,891,682</u>
Fund balances - end of year	<u>\$ 301,370</u>	<u>\$ 180,739</u>	<u>\$ 182,693</u>	<u>\$ 2,310,349</u>	<u>\$ 2,975,151</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, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 300,000	\$ 300,000	\$ 584,113	\$ 284,113
Contributions	-	-	75,000	75,000
Investment earnings (loss)	130,800	130,800	714,810	584,010
Total revenues	<u>430,800</u>	<u>430,800</u>	<u>1,373,923</u>	<u>943,123</u>
<b>Expenditures</b>				
Debt service	-	146,490	147,855	(1,365)
Capital outlay	41,293,700	38,574,204	24,452,606	14,121,598
Total expenditures	<u>41,293,700</u>	<u>38,720,694</u>	<u>24,600,461</u>	<u>14,120,233</u>
Excess (deficiency) of revenues over expenditures	<u>(40,862,900)</u>	<u>(38,289,894)</u>	<u>(23,226,538)</u>	<u>15,063,356</u>
<b>Other Financing Sources (Uses)</b>				
Revenue bonds issued	10,000,000	10,000,000	10,148,000	148,000
Transfers in	18,845,840	18,845,840	11,389,548	(7,456,292)
Transfers out	(16,750)	(16,750)	(1,044,408)	(1,027,658)
Total other financing sources (uses)	<u>28,829,090</u>	<u>28,829,090</u>	<u>20,493,140</u>	<u>(8,335,950)</u>
Net change in fund balance	(12,033,810)	(9,460,804)	(2,733,398)	6,727,406
Fund balance - beginning of year	<u>29,344,361</u>	<u>29,344,361</u>	<u>30,707,677</u>	<u>1,363,316</u>
Fund balance - end of year	<u>\$ 17,310,551</u>	<u>\$ 19,883,557</u>	<u>\$ 27,974,279</u>	<u>\$ 8,090,722</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, 2023**

	<u>Budget</u> <u>Original and</u> <u>Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
<b>Revenues</b>			
In-lieu taxes	\$ 41,000	\$ 34,625	\$ (6,375)
Investment earnings (loss)	3,900	3,723	(177)
Total revenues	<u>44,900</u>	<u>38,348</u>	<u>(6,552)</u>
<b>Expenditures</b>			
Capital outlay	<u>162,990</u>	<u>105,148</u>	<u>57,842</u>
Total expenditures	<u>162,990</u>	<u>105,148</u>	<u>57,842</u>
Net change in fund balance	(118,090)	(66,800)	51,290
Fund balance - beginning of year	<u>379,399</u>	<u>368,170</u>	<u>(11,229)</u>
Fund balance - end of year	<u>\$ 261,309</u>	<u>\$ 301,370</u>	<u>\$ 40,061</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, 2023**

	<u>Budget</u> <u>Original and</u> <u>Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
<b>Revenues</b>			
In-lieu taxes	\$ 123,300	\$ 116,145	\$ (7,155)
Investment earnings (loss)	1,680	1,021	(659)
Total revenues	<u>124,980</u>	<u>117,166</u>	<u>(7,814)</u>
<b>Expenditures</b>			
Capital outlay	<u>140,000</u>	<u>-</u>	<u>140,000</u>
Total expenditures	<u>140,000</u>	<u>-</u>	<u>140,000</u>
Net change in fund balance	(15,020)	117,166	132,186
Fund balance - beginning of year	<u>74,570</u>	<u>63,573</u>	<u>(10,997)</u>
Fund balance - end of year	<u>\$ 59,550</u>	<u>\$ 180,739</u>	<u>\$ 121,189</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, 2023**

	<u>Budget</u> <u>Original and</u> <u>Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
<b>Revenues</b>			
Contributions	\$ -	\$ 65,000	\$ 65,000
Investment earnings (loss)	1,900	2,433	533
Other revenues	-	46,507	46,507
Total revenues	<u>1,900</u>	<u>113,940</u>	<u>112,040</u>
<b>Expenditures</b>			
Capital outlay	<u>360,650</u>	<u>130,000</u>	<u>230,650</u>
Total expenditures	<u>360,650</u>	<u>130,000</u>	<u>230,650</u>
Excess (deficiency) of revenues over expenditures	<u>(358,750)</u>	<u>(16,060)</u>	<u>342,690</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	<u>16,750</u>	<u>7,308</u>	<u>(9,442)</u>
Net change in fund balance	(342,000)	(8,752)	333,248
Fund balance - beginning of year	<u>257,557</u>	<u>191,445</u>	<u>(66,112)</u>
Fund balance - end of year	<u>\$ (84,443)</u>	<u>\$ 182,693</u>	<u>\$ 267,136</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, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Impact fees	\$ 578,260	\$ 578,260	\$ 571,198	\$ (7,062)
Investment earnings (loss)	35,480	35,480	43,977	8,497
Total revenues	<u>613,740</u>	<u>613,740</u>	<u>615,175</u>	<u>1,435</u>
<b>Expenditures</b>				
Current				
General government	45,000	45,000	-	45,000
Debt service	233,890	233,890	115,754	118,136
Capital outlay	5,093,020	5,158,694	830,525	4,328,169
Total expenditures	<u>5,371,910</u>	<u>5,437,584</u>	<u>946,279</u>	<u>4,491,305</u>
Excess (deficiency) of revenues over expenditures	<u>(4,758,170)</u>	<u>(4,823,844)</u>	<u>(331,104)</u>	<u>4,492,740</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>372,959</u>	<u>372,959</u>
Net change in fund balance	(4,758,170)	(4,823,844)	41,855	4,865,699
Fund balance - beginning of year	<u>5,353,189</u>	<u>5,353,189</u>	<u>2,268,494</u>	<u>(3,084,695)</u>
Fund balance - end of year	<u>\$ 595,019</u>	<u>\$ 529,345</u>	<u>\$ 2,310,349</u>	<u>\$ 1,781,004</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, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 6,248,050	\$ 6,248,050	\$ 6,284,071	\$ 36,021
Capacity fees	1,645,100	1,645,100	1,156,631	(488,469)
Investment earnings (loss)	205,140	205,140	309,227	104,087
Other	68,900	68,900	55,520	(13,380)
Total revenues	<u>8,167,190</u>	<u>8,167,190</u>	<u>7,805,449</u>	<u>(361,741)</u>
<b>Expenditures</b>				
Salaries and employee benefits	1,815,870	1,815,870	1,510,057	305,813
Supplies and other	3,452,800	3,438,440	3,060,849	377,591
Capital outlay	7,693,010	7,707,370	2,925,614	4,781,756
Debt service	4,574,310	4,574,310	4,567,930	6,380
Contingency	100,000	100,000	-	100,000
Addition to equipment replacement reserve	219,590	219,590	219,590	-
Addition to major maintenance reserve	369,890	369,890	181,942	187,948
Total expenditures	<u>18,225,470</u>	<u>18,225,470</u>	<u>12,465,982</u>	<u>5,759,488</u>
Excess (deficiency) of revenues over expenditures	<u>(10,058,280)</u>	<u>(10,058,280)</u>	<u>(4,660,533)</u>	<u>5,397,747</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	5,114,000	5,114,000	4,664,372	(449,628)
Add back equipment replacement reserve	219,590	219,590	219,590	-
Add back major maintenance reserve	369,890	369,890	181,942	(187,948)
Net change in fund balance	(4,354,800)	(4,354,800)	405,371	4,760,171
Fund balance - beginning of year	<u>17,201,649</u>	<u>17,201,649</u>	<u>16,788,394</u>	<u>(413,255)</u>
Fund balance - end of year	<u>\$ 12,846,849</u>	<u>\$ 12,846,849</u>	<u>\$ 17,193,765</u>	<u>\$ 4,346,916</u>

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

Net position, end of year, budgetary basis:	\$ 17,193,765
Adjustments to reconcile to net position:	
Adjustments from prior years	81,821,434
Capital contribution - developer-contributed sewer lines	832,412
Depreciation and amortization	(3,841,156)
Capital outlay	2,925,614
Principal paid on long-term debt	1,336,523
Decrease in long-term interest payable	2,696,991
Decrease in compensated absences	(11,917)
Increase in net pension/OPEB asset	4,588
Decrease in deferred outflows	(21,367)
Decrease in net pension liability	(215,334)
Increase in deferred inflows	<u>296,815</u>
Net position, end of year	<u>\$ 103,018,368</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, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 657,740	\$ 657,740	\$ 51,874	\$ (605,866)
Charges for services	85,750	85,750	1,433	(84,317)
Investment earnings (loss)	-	-	81,214	81,214
Total revenues	<u>743,490</u>	<u>743,490</u>	<u>134,521</u>	<u>(608,969)</u>
<b>Expenditures</b>				
Salaries and employee benefits	199,560	199,560	191,362	8,198
Supplies and other	2,231,710	2,270,530	1,690,050	580,480
Capital outlay	1,380,900	3,172,810	1,890,826	1,281,984
Debt service	227,570	227,570	172,861	54,709
Total expenditures	<u>4,039,740</u>	<u>5,870,470</u>	<u>3,945,099</u>	<u>1,925,371</u>
Excess (deficiency) of revenues over expenditures	<u>(3,296,250)</u>	<u>(5,126,980)</u>	<u>(3,810,578)</u>	<u>1,316,402</u>
<b>Other Financing Sources</b>				
Transfers in	<u>8,296,250</u>	<u>8,296,250</u>	<u>9,916,929</u>	<u>1,620,679</u>
Net change in fund balance	5,000,000	3,169,270	6,106,351	2,937,081
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>146,825</u>	<u>146,825</u>
Fund balance - end of year	<u>\$ 5,000,000</u>	<u>\$ 3,169,270</u>	<u>\$ 6,253,176</u>	<u>\$ 3,083,906</u>

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

Net position, end of year, budgetary basis:	\$ 6,253,176
Adjustments to reconcile to net position:	
Adjustments from prior years	93,302
Depreciation and amortization	(245,948)
Capital outlay	1,890,826
Principal paid on long-term debt	143,878
Increase in compensated absences	2,868
Increase in deferred outflows	1,276
Increase in net pension asset	416
Increase in net pension liability	(21,225)
Decrease in deferred inflows	<u>33,096</u>
Net position, end of year	<u>\$ 8,151,665</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, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 2,249,590	\$ 2,249,590	\$ 2,302,361	\$ 52,771
Investment earnings (loss)	8,800	8,800	17,258	8,458
Total revenues	<u>2,258,390</u>	<u>2,258,390</u>	<u>2,319,619</u>	<u>61,229</u>
<b>Expenditures</b>				
Salaries and employee benefits	817,650	817,650	669,185	148,465
Supplies and other	1,214,220	1,190,835	1,089,752	101,083
Capital outlay	68,300	91,995	88,399	3,596
Debt service	-	19,050	19,041	9
Addition to equipment replacement reserve	228,500	228,500	433,333	(204,833)
Total expenditures	<u>2,328,670</u>	<u>2,348,030</u>	<u>2,299,710</u>	<u>48,320</u>
Excess (deficiency) of revenues over expenditures	<u>(70,280)</u>	<u>(89,640)</u>	19,909	109,549
<b>Other Financing Uses</b>				
Transfers in	43,950	43,950	34,210	(9,740)
Add back equipment replacement reserve	<u>228,500</u>	<u>228,500</u>	<u>433,333</u>	<u>(204,833)</u>
Net change in fund balance	202,170	182,810	487,452	(105,024)
Fund balance - beginning of year	<u>1,162,866</u>	<u>1,162,866</u>	<u>933,156</u>	<u>(229,710)</u>
Fund balance - end of year	<u>\$ 1,365,036</u>	<u>\$ 1,345,676</u>	<u>\$ 1,420,608</u>	<u>\$ (334,734)</u>

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

Net position, end of year, budgetary basis:	\$ 1,420,608
Adjustments to reconcile to net position:	
Adjustments from prior years	(477,305)
Depreciation and amortization	(63,822)
Capital outlay	88,399
Principal paid on long-term debt	15,213
Increase in compensated absences	(12,581)
Increase in net pension asset	2,279
Increase in deferred outflows	111
Increase in net pension liability	(106,046)
Decrease in deferred inflows	144,218
Net position, end of year	<u>\$ 1,011,074</u>

## STATISTICAL SECTION

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This part of the City of Sedona, Arizona's annual comprehensive 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 annual comprehensive 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									
	2023	2022	(Restated) 2021	(Restated) 2020	2019	(Restated) 2018	(Restated) 2017	(Restated) 2016	(Restated) 2015	(Restated) 2014
<b>Governmental activities</b>										
Net investment in capital assets	\$ 73,125,270	\$ 55,543,230	\$51,575,032	\$45,121,985	\$36,964,267	\$34,194,446	\$30,918,472	\$27,547,603	\$25,882,022	\$21,865,051
Restricted	6,139,032	5,516,511	5,166,724	4,722,195	3,904,561	3,491,426	4,554,465	6,399,927	7,782,359	6,770,279
Unrestricted	43,234,110	51,561,187	35,289,161	23,816,343	23,988,145	16,585,365	13,326,749	10,840,148	7,433,194	17,575,929
Total governmental activities net position	<u>\$122,498,412</u>	<u>\$112,620,928</u>	<u>\$92,030,917</u>	<u>\$73,660,523</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>
<b>Business-type activities</b>										
Net investment in capital assets	\$91,813,878	\$88,703,727	\$87,603,775	\$87,707,061	\$82,872,611	\$81,693,704	\$78,633,941	\$74,595,947	\$62,473,972	\$67,436,106
Restricted	46,127	41,123	5,678	1,854	2,571	3,486	-	-	-	-
Unrestricted	19,414,917	10,152,156	9,924,934	7,768,589	9,904,889	7,710,147	7,443,554	7,840,256	7,449,791	10,300,251
Total business-type activities net position	<u>\$111,274,922</u>	<u>\$98,897,006</u>	<u>\$97,534,387</u>	<u>\$95,477,504</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>
<b>Primary government</b>										
Net investment in capital assets	\$164,939,148	\$144,246,957	\$139,178,807	\$132,829,046	\$119,836,878	\$115,888,150	\$109,552,413	\$102,143,550	\$88,355,994	\$89,301,157
Restricted	6,185,159	5,537,634	5,172,402	4,724,049	3,907,132	3,494,912	4,554,465	6,399,927	7,782,359	6,770,279
Unrestricted	62,649,027	61,713,343	45,214,095	31,584,932	33,893,034	24,295,512	20,770,303	18,680,404	14,882,985	27,876,180
Total primary government net position	<u>\$233,773,334</u>	<u>\$211,517,934</u>	<u>\$189,565,304</u>	<u>\$169,138,027</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>

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									
	2023	2022	(Restated) 2021	(Restated) 2020	2019	(Restated) 2018	(Restated) 2017	(Restated) 2016	(Restated) 2015	(Restated) 2014
<b>Expenses</b>										
Governmental Activities:										
General government	\$ 4,078,473	\$ 3,133,732	\$ 2,741,352	\$ 3,100,633	\$ 2,974,989	\$ 2,809,253	\$ 6,103,129	\$ 6,564,561	\$ 5,802,810	\$ 5,314,798
Public safety	9,022,120	7,503,428	8,142,665	7,848,655	6,836,072	7,542,130	5,357,797	4,353,279	4,208,855	3,691,142
Public works and streets	8,076,904	8,012,886	5,844,312	5,621,361	5,488,876	5,336,542	4,534,423	3,025,476	3,352,131	3,986,709
Community and economic development	-	-	-	-	-	-	-	-	2,200,510	932,919
Community services	-	-	-	-	-	-	-	-	-	426,571
Culture and recreation	3,214,620	2,753,512	2,305,183	2,497,360	2,521,273	2,501,727	1,928,332	1,810,593	557,038	-
Economic development	1,707,478	2,168,093	2,970,824	2,618,729	2,424,664	2,355,663	2,261,269	1,336,234	-	-
Health and welfare	1,469,564	982,142	668,043	612,522	492,083	251,997	-	-	-	-
Public transportation	65,224	60,900	60,000	255,418	202,363	188,604	-	-	-	-
Housing	299,408	312,342	70,127	280,621	-	-	-	-	-	-
Interest on long-term debt	1,433,953	534,066	209,773	236,419	281,913	292,714	296,144	319,545	442,506	563,158
Total governmental activities	<u>29,367,744</u>	<u>25,461,101</u>	<u>23,012,279</u>	<u>23,071,718</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>
Business-Type Activities:										
Wastewater	8,838,720	8,578,632	8,899,470	8,316,948	8,691,487	8,217,210	7,590,660	7,394,559	8,416,450	8,147,798
Public transportation	2,137,047	1,128,713	61,455	-	-	-	-	-	-	-
Total business-type activities	<u>10,975,767</u>	<u>9,707,345</u>	<u>8,960,925</u>	<u>8,316,948</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>
Total primary government expenses	<u>\$40,343,511</u>	<u>\$35,168,446</u>	<u>\$31,973,204</u>	<u>\$31,388,666</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>
<b>Program revenues</b>										
Governmental activities:										
Charges for services										
General government	\$ 893,844	\$ 680,721	\$ 567,083	\$ 686,472	\$ 674,910	\$ 824,299	\$ 661,395	\$ 674,762	\$ 318,200	\$ 89,021
Public safety	997,604	982,099	830,129	385,984	617,090	607,666	24,743	31,570	49,218	134,164
Public works	15,397	11,429	6,463	19,068	16,044	16,614	4,690	4,745	3,870	70,943
Community and economic development	-	-	-	-	-	-	-	-	402,483	381,803
Community services	-	-	-	-	-	-	-	-	95,716	57,697
Culture and recreation	149,154	190,079	80,354	80,158	138,768	131,359	121,295	104,217	-	-
Public transportation	-	-	35	460	855	-	-	-	-	-
Operating grants and contributions	3,091,159	1,608,899	1,237,623	2,671,868	1,724,973	1,133,423	1,213,350	1,056,235	1,119,695	1,844,336
Capital grants and contributions	1,295,839	2,020,763	1,372,942	1,588,597	1,546,883	1,037,264	1,924,413	1,177,321	1,640,791	758,272
Total governmental activities program revenues	<u>6,442,997</u>	<u>5,493,990</u>	<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>
Business-Type Activities:										
Charges for services										
Wastewater	6,325,719	6,280,877	6,027,344	6,043,445	6,251,954	6,180,360	5,934,888	6,349,506	6,093,385	5,908,088
Public transportation	1,433	660	-	-	-	-	-	-	-	-
Operating grants and contributions	51,874	49,400	46,400	-	-	-	-	-	-	-
Capital grants and contributions	1,989,043	669,521	1,425,829	1,074,988	573,380	523,013	1,167,388	-	-	-
Total business-type activities program revenues	<u>8,368,069</u>	<u>7,000,548</u>	<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>
Total primary government program revenues	<u>\$14,811,066</u>	<u>\$12,494,538</u>	<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>

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

(Concluded)	Fiscal Year									
	2023	2022	(Restated) 2021	(Restated) 2020	2019	(Restated) 2018	(Restated) 2017	(Restated) 2016	(Restated) 2015	(Restated) 2014
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (22,924,747)	\$ (19,967,111)	\$ (18,917,650)	\$ (17,639,111)	\$ (16,502,710)	\$ (17,528,005)	\$ (16,531,208)	\$ (14,360,838)	\$ (12,933,877)	\$ (11,579,061)
Business-type activities	(2,607,698)	(2,706,797)	(1,461,352)	(1,198,515)	(1,866,153)	(1,513,837)	(488,384)	(1,045,053)	(2,323,065)	(2,239,710)
Total primary government net expense	<u>\$ (25,532,445)</u>	<u>\$ (22,673,908)</u>	<u>\$ (20,379,002)</u>	<u>\$ (18,837,626)</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>
<b>General Revenues and Transfers</b>										
Governmental activities										
Taxes										
Sales taxes	\$40,327,787	\$41,626,941	\$35,035,221	\$24,329,794	\$26,180,070	\$22,795,216	\$19,983,931	\$18,004,940	\$12,050,907	\$10,400,704
Franchise taxes	913,690	883,545	883,456	809,673	807,465	813,573	786,882	789,754	766,728	738,631
In lieu taxes	704,944	687,098	878,659	670,736	655,721	643,087	630,532	622,224	488,937	500,968
Unrestricted state income tax revenue sharing	1,852,056	1,289,131	1,477,587	1,336,465	1,251,688	1,287,767	1,270,897	1,207,731	1,214,315	1,118,082
Unrestricted state sales tax revenue sharing	1,443,176	1,374,160	1,199,926	1,067,529	1,039,635	998,202	950,879	948,696	916,721	873,126
Unrestricted auto lieu tax revenue sharing	730,999	772,587	795,420	664,581	662,935	642,895	606,030	577,681	534,404	508,519
Investment earnings (loss)	1,240,236	(1,909,427)	193,365	815,918	1,003,210	99,315	159,363	307,030	210,386	255,995
Proceeds from sale of capital assets	-	-	-	-	-	-	-	11,806	-	-
Other revenues	170,644	455,738	244,604	194,965	87,431	70,639	107,960	78,629	22,863	164,187
Transfers	(14,581,301)	(4,622,651)	(3,420,194)	(3,447,000)	(4,599,709)	(4,351,138)	(4,038,211)	(4,497,550)	88,235	83,626
Total governmental activities general revenues and transfers	<u>32,802,231</u>	<u>40,557,122</u>	<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>
Business-type activities										
Sales taxes	-	-	-	-	-	-	-	-	4,046,986	4,478,074
Investment earnings	390,441	(565,765)	81,729	435,820	620,971	100,891	78,287	179,734	73,193	126,548
Other revenues	13,872	12,530	16,312	13,128	18,207	391,650	13,116	-	-	-
Transfers	14,581,301	4,622,651	3,420,194	3,447,000	4,599,709	4,351,138	4,038,211	4,497,550	(88,235)	(83,626)
Total business-type activities general revenues and transfers	<u>14,985,614</u>	<u>4,069,416</u>	<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>
Total primary government general revenues and transfers	<u>\$47,787,845</u>	<u>\$44,626,538</u>	<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>
<b>Change in Net Position</b>										
Governmental activities	\$9,877,484	\$20,590,011	\$18,370,394	\$ 8,803,550	\$10,585,736	\$5,471,551	\$3,927,055	\$3,690,103	\$3,359,619	\$3,064,777
Business-type activities	12,377,916	1,362,619	2,056,883	2,697,433	3,372,734	3,329,842	3,641,230	3,632,231	1,708,879	2,281,286
Total primary government change in net position	<u>\$22,255,400</u>	<u>\$21,952,630</u>	<u>\$20,427,277</u>	<u>\$14,199,506</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>

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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>General Fund</b>										
Nonspendable	\$ 2,039,153	\$ 1,831,847	\$ 14,857	\$ 29,826	\$ 11,683	\$ 15,604	\$ 15,409	\$ 86,203	\$ -	\$ -
Restricted	200,310	106,653	1,085,384	943,286	95,416	86,591	81,828	77,855	1,794,750	-
Committed	2,803,153	1,189,469	201,446	1,403,370	1,619,954	701,913	421,696	389,240	-	1,626,131
Assigned	16,265,044	21,255,873	6,357,618	1,232,035	2,195,394	2,032,174	2,018,050	1,585,000	-	-
Unassigned	13,490,819	15,742,856	18,354,731	11,983,669	9,454,072	6,915,095	8,491,539	7,611,935	11,449,459	15,888,042
Total General Fund	<u>\$34,798,479</u>	<u>\$40,126,698</u>	<u>\$26,014,036</u>	<u>\$15,592,186</u>	<u>\$13,376,519</u>	<u>\$ 9,751,377</u>	<u>\$11,028,522</u>	<u>\$ 9,750,233</u>	<u>\$13,244,209</u>	<u>\$17,514,173</u>
<b>All Other Governmental Funds</b>										
Nonspendable	\$ 83,000	\$ 27,000	\$ -	\$ -	\$ -	\$ 1,575	\$ -	\$ 15,000	\$ -	\$ -
Restricted	22,558,680	22,970,916	3,940,319	3,628,879	3,667,645	3,252,827	4,472,637	6,321,238	7,692,180	6,770,279
Committed	8,024,711	8,699,010	6,955,128	7,095,543	4,180,816	1,147,912	11,268,308	9,692,916	5,367,842	66,607
Assigned	10,011,009	11,388,935	10,526,188	10,854,394	14,432,612	15,334,100	750,137	525,863	26,199	-
Unassigned	(740,558)	(568,381)	(5,109)	(1,447)	(39,141)	(31,246)	(54,281)	(36,684)	(19,373)	-
Total All Other Governmental Funds	<u>\$39,936,842</u>	<u>\$42,517,480</u>	<u>\$21,416,526</u>	<u>\$21,577,369</u>	<u>\$22,241,932</u>	<u>\$19,705,168</u>	<u>\$16,436,801</u>	<u>\$16,518,333</u>	<u>\$13,066,848</u>	<u>\$6,836,886</u>

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									
	2023	2022	2021	2020	2019	2018	2017	(Restated) 2016	(Restated) 2015	2014
<b>Revenues</b>										
Taxes	\$ 41,424,319	\$ 43,295,737	\$ 36,502,865	\$25,760,174	\$27,636,568	\$ 24,290,404	\$21,523,901	\$ 19,412,559	\$13,628,451	\$11,205,625
Licenses and permits	598,810	469,115	385,953	311,569	380,721	455,498	475,216	496,517	468,722	466,937
Intergovernmental	7,660,251	5,833,967	4,991,137	6,107,232	4,887,798	4,935,807	4,831,007	4,505,596	5,034,197	5,205,547
Charges for services	924,988	991,945	667,969	672,362	933,927	770,108	202,854	162,130	190,565	99,231
Fines and forfeitures	443,377	272,365	386,317	196,524	227,761	249,893	140,840	147,984	172,694	134,164
Contributions	167,539	99,555	257,508	75,029	724,645	290,500	86,376	230,296	23,711	-
Impact fees	571,198	396,257	659,553	478,597	292,546	207,076	618,741	231,772	216,039	450,798
Investment earnings	1,224,169	(1,879,130)	190,188	803,048	995,455	99,675	159,363	307,030	238,592	303,098
Other revenues	282,040	539,472	237,059	167,679	102,221	75,089	107,960	78,629	38,707	276,872
<b>Total revenues</b>	<b>53,296,691</b>	<b>50,019,283</b>	<b>44,278,549</b>	<b>34,572,214</b>	<b>36,181,644</b>	<b>31,374,050</b>	<b>28,146,258</b>	<b>25,572,513</b>	<b>20,011,678</b>	<b>18,142,272</b>
<b>Expenditures</b>										
<b>Current</b>										
General government	3,697,035	2,982,746	2,433,781	2,591,128	2,860,186	2,703,709	5,760,492	6,179,381	5,471,132	5,881,473
Public safety	9,935,724	8,225,368	7,343,573	7,384,219	7,051,249	6,854,047	4,972,449	4,198,335	3,770,380	3,609,678
Public works and streets	5,064,655	5,024,210	3,744,410	3,570,268	3,651,588	3,798,641	3,118,403	1,824,816	2,280,656	3,642,185
Culture and recreation	2,903,698	2,551,427	2,088,486	2,277,298	2,354,627	2,293,792	1,820,211	1,769,992	2,193,308	389,420
Economic development	1,706,862	2,175,706	2,969,238	2,611,622	2,426,505	2,368,755	2,261,269	1,336,234	550,762	-
Health and welfare	1,426,191	993,494	667,398	602,680	493,249	251,997	-	-	-	-
Public transportation	65,224	60,900	60,000	192,544	202,363	188,604	-	-	-	-
Housing	303,842	316,027	70,127	280,621	-	-	-	-	-	-
<b>Debt service:</b>										
Principal retirement	2,029,857	1,328,323	1,093,459	1,153,970	1,419,977	1,413,004	602,019	515,000	345,000	346,889
Interest and fiscal charges	1,380,927	484,868	146,572	187,221	208,035	234,775	222,266	153,842	418,606	526,321
Bond issuance costs	147,855	420,824	-	-	-	-	-	91,825	-	34,699
Capital outlay	28,142,913	13,856,267	10,728,902	9,111,004	5,134,771	5,211,057	4,592,490	5,237,935	3,546,030	4,337,561
<b>Total expenditures</b>	<b>56,804,783</b>	<b>38,420,160</b>	<b>31,345,946</b>	<b>29,962,575</b>	<b>25,802,550</b>	<b>25,318,381</b>	<b>23,349,599</b>	<b>21,307,360</b>	<b>18,575,874</b>	<b>18,768,226</b>
Excess (deficiency) of revenue over expenditures	(3,508,092)	11,599,123	12,932,603	4,609,639	10,377,665	6,055,669	4,796,659	4,265,153	1,435,804	(625,954)
<b>Other Financing Sources (Uses)</b>										
Transfers in	14,299,622	7,850,440	8,489,834	3,188,411	2,146,676	5,672,149	3,104,447	7,431,260	8,043,472	1,220,124
Transfers out	(28,915,133)	(12,490,890)	(11,938,825)	(6,662,931)	(6,746,385)	(10,023,287)	(7,142,658)	(11,928,810)	(7,955,237)	(1,136,498)
Issuance of long-term debt	10,197,944	28,182,099	735,350	373,112	373,498	268,509	438,309	8,030,000	-	1,879,700
Sale of capital assets	16,802	72,844	42,045	42,873	9,024	18,182	-	11,806	22,863	-
Payment to escrow agent	-	-	-	-	-	-	-	(7,934,739)	-	(1,845,000)
<b>Total other financing sources (uses)</b>	<b>(4,400,765)</b>	<b>23,614,493</b>	<b>(2,671,596)</b>	<b>(3,058,535)</b>	<b>(4,217,187)</b>	<b>(4,064,447)</b>	<b>(3,599,902)</b>	<b>(4,390,483)</b>	<b>111,098</b>	<b>118,326</b>
<b>Net change in fund balances</b>	<b>\$ (7,908,857)</b>	<b>\$ 35,213,616</b>	<b>\$ 10,261,007</b>	<b>\$ 1,551,104</b>	<b>\$ 6,161,906</b>	<b>\$ 1,991,222</b>	<b>\$ 1,196,757</b>	<b>\$ (125,330)</b>	<b>\$ 1,546,902</b>	<b>\$ (507,628)</b>
Debt service as a percentage of non-capital expenditures	11.73%	7.27%	5.96%	6.35%	7.79%	8.14%	4.39%	4.20%	5.08%	6.05%

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 2023			Fiscal Year 2014		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Hotels & Other Lodging	\$17,397,904	1	43.1%	\$ 1,980,589	3	16.7%
Retail	10,805,316	2	26.8%	4,375,792	1	37.0%
Restaurants & Bars	6,017,287	3	14.9%	2,197,587	2	18.6%
Rental/Leasing/Licensing	1,986,469	4	4.9%	928,205	5	7.8%
Construction	1,894,492	5	4.7%	1,106,248	4	9.4%
All Other	1,442,855	6	3.6%	612,380	7	5.2%
Transportation/Communication/Utilities	815,536	7	2.0%	621,539	6	5.3%
<b>Total</b>	<b>\$40,359,859</b>		<b>100.0%</b>	<b>\$11,822,340</b>		<b>100.0%</b>

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
2023	\$27,307,204	\$8,587,989	\$913,690	\$ -	\$36,808,883
2022	28,156,541	8,942,766	883,545	527,178	38,510,030
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

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

Note: In-lieu taxes were zero in fiscal year 2023 due to the late receipt of these monies after the period of availability defined as 60 days after year-end. Unavailable revenues of \$543,698 will be recognized in fiscal year 2024.

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

Sales Category	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Construction	\$ 1,894,492	\$ 1,943,797	\$ 1,806,117	\$ 1,828,859	\$ 1,449,767	\$ 1,270,064	\$ 1,335,883	\$ 1,465,258	\$ 1,043,214	\$ 1,106,248
Transportation, Communication and Utilities	815,536	767,611	789,032	731,516	718,813	584,656	571,822	596,888	551,710	621,539
Retail	10,805,316	11,134,346	9,816,161	7,208,267	7,104,613	6,185,202	5,632,490	5,552,332	4,359,761	4,375,792
Restaurants and Bars	6,017,287	6,072,766	5,217,637	3,711,859	4,366,956	3,859,442	3,268,739	2,829,512	1,959,886	2,197,587
Rental/Leasing/Licensing	1,986,469	2,011,477	1,840,313	1,553,226	1,621,589	1,396,438	1,302,833	1,058,690	630,449	928,205
Hotels and Other Lodging	17,397,904	18,124,683	14,459,426	8,352,702	9,628,166	8,484,719	7,057,005	5,619,566	4,317,072	1,980,589
All Other	1,442,855	1,640,377	1,041,101	893,336	1,280,028	1,044,676	911,414	887,700	1,053,920	612,380
<b>Total</b>	<b>\$40,359,859</b>	<b>\$41,695,057</b>	<b>\$34,969,787</b>	<b>\$24,279,765</b>	<b>\$26,169,932</b>	<b>\$22,825,197</b>	<b>\$20,080,186</b>	<b>\$18,009,946</b>	<b>\$13,916,012</b>	<b>\$11,822,340</b>
Direct Sales Tax Rate	3.50%	3.50%	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%
Transient Lodging Tax	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.00% thru 12/31/13 3.50% starting 1/1/14

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
2023	3.50%	0.75%	1.300%	5.60%
2022	3.50%	0.75%	1.300%	5.60%
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 3.50% starting 3/1/18	0.75%	1.300%	5.60%
2017	3.00%	0.75%	1.300%	5.60%
2016	3.00%	0.75%	1.300%	5.60%
2015	3.00%	0.75%	1.125%	5.60%
2014	3.00%	0.75%	1.125%	5.60%

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	Financed Purchases	Leases and Installment Purchases	Revenue Bonds	Financed Purchases	Leases	Capital Appreciation Bond Interest			
2023	\$38,812,903	\$971,420	\$2,430,686	\$9,773,000	\$1,796,880	\$122,720	\$2,963,027	\$56,870,636	12.70%	\$5,809
2022	30,268,903	1,216,264	2,576,968	11,088,000	\$710,125	1,670,600	5,660,018	53,190,878	6.65%	5,533
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

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, 2023**  
**(UNAUDITED)**

Governmental Unit	Outstanding Debt <sup>(1)</sup>	Estimated Percentage Applicable <sup>(2)</sup>	Estimated Share of Overlapping Debt
Coconino County	\$148,155,000	6.75%	\$10,000,463
Yavapai County	68,760,680	7.40%	5,088,290
Coconino County Community College District	-	6.75%	-
Yavapai County Community College District	3,550,000	7.40%	262,700
Sedona Oak Creek Unified S.D. No 9	24,625,000	58.32%	14,361,300
Sedona Fire District	25,675	58.16%	14,933
Total Overlapping Debt			<u>29,727,686</u>
City of Sedona	42,215,009	100%	<u>42,215,009</u>
Total Direct and Overlapping Debt			<u><u>\$71,942,695</u></u>

Source: Arizona State Treasurer's Office, Arizona Report of Bonded Indebtedness

<sup>(1)</sup> Includes general obligation bonds outstanding. The City of Sedona does not have any general obligation bonds.

<sup>(2)</sup> Proportion applicable to the City of Sedona, Arizona, is computed on the ratio of secondary assessed valuation for 2023 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
2023	\$41,132,056	\$2,919,000	\$4,789,063	\$7,708,063	5.34
2022	41,602,158	2,297,000	3,272,195	5,569,195	7.47
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

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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Coconino County	\$199,181,720	\$164,170,951	\$157,660,199	\$152,107,576	\$141,743,200	\$138,333,198	\$134,528,591	\$125,045,612	\$121,388,325	\$110,290,043
Yavapai County	277,641,635	263,431,792	249,436,409	286,913,435	253,159,989	238,835,422	227,245,423	191,649,855	183,416,070	177,099,032
<b>Total Assessed Valuation</b>	<b>\$476,823,355</b>	<b>\$427,602,743</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>20% Limitation</b>										
Debt Limit Equal to 20% of Assessed Valuation	\$95,364,671	\$85,520,549	\$81,419,322	\$87,804,202	\$78,980,638	\$75,433,724	\$72,354,803	\$63,339,093	\$60,960,879	\$57,477,815
Total Net Debt Applicable to 20% Limit	-	-	-	-	-	-	-	-	-	-
<b>Legal 20% Debt Margin</b>	<b>\$95,364,671</b>	<b>\$85,520,549</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>6% Limitation</b>										
Debt Limit Equal to 6% of Assessed Valuation	\$28,609,401	\$25,656,165	\$24,425,796	\$26,341,261	\$23,694,191	\$22,630,117	\$21,706,441	\$19,001,728	\$18,288,264	\$17,243,345
Total Net Debt Applicable to 6% Limit	-	-	-	-	-	-	-	-	-	-
<b>Legal 6% Debt Margin</b>	<b>\$28,609,401</b>	<b>\$25,656,165</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>

Source: Coconino County, Yavapai County

Note 1: Arizona's Constitution states that a municipality cannot issue general obligation bonds more than 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
2023	9,790	\$447,951,240	\$45,756	58.5	1,606	3.50%
2022	9,614	410,431,274	42,691	59.8	1,484	3.40%
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%

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  
CURRENT YEAR AND NINE YEARS AGO  
(UNAUDITED)**

Employer	2023			2014		
	Employees <sup>(1)</sup>	Rank	Percentage of Total Employment	Employees <sup>(1)</sup>	Rank	Percentage of Total Employment
Enchantment Resorts (location outside of City)	473	1	7.5%	500	1	10.3%
L'Auberge de Sedona Resort	300	2	4.8%	300	2	6.2%
Hilton Sedona Resort at Bell Rock (location outside of City)	227	3	3.6%	181	3	3.7%
Orchards Inn	220	4	3.5%	-	-	-
City of Sedona	178	5	2.8%	112	8	2.3%
Red Mountain Sedona	147	6	2.3%	-	-	-
Arizona Elder Care	120	7	1.9%	-	-	-
Villas at Poco Diablo	108	8	1.7%	-	-	-
Sedona/Oak Creek School District	97	9	1.5%	150	5	3.1%
Verde Valley Medical Center/Sedona Emergency Department	92	10	1.5%	-	-	-
Pink Jeep Tours	-	-	-	175	4	3.6%
Los Abrigados	-	-	-	142	6	2.9%
Sedona Rouge	-	-	-	113	7	2.3%
Sunterra Resort	-	-	-	98	9	2.0%
Radisson Resort	-	-	-	85	10	1.8%
<b>Total</b>	<b>1,962</b>		<b>31.1%</b>	<b>1,856</b>		<b>38.2%</b>

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

<sup>(1)</sup> 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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
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	22.7	19.4	19.3	19.2	18.8	18.8	18.2	17.6	18.4	18.4
Finance	11.2	10.0	8.7	8.7	8.2	8.2	8.2	8.0	8.0	8.0
Community Development	7.7	6.4	6.7	6.7	7.3	6.5	6.6	9.6	8.0	8.0
Facilities maintenance	5.6	4.8	3.6	3.8	1.8	1.6	1.6	2.4	1.0	1.0
Court	5.8	5.5	5.5	4.7	4.7	4.3	4.3	3.7	3.7	4.3
Public safety										
Building safety	4.8	4.8	4.0	3.7	3.2	4.7	4.8	2.1	2.0	2.0
Code enforcement	2.4	2.3	2.2	2.2	2.5	2.4	2.3	2.0	2.0	2.0
Police - sworn	31.7	29.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0
Police - civilian	15.9	17.6	16.6	16.6	15.6	15.6	15.6	14.4	13.5	12.0
Public works										
Engineering and project management	12.7	12.6	11.6	11.7	11.7	11.1	12.3	7.0	5.0	5.0
Other	11.8	11.0	9.9	9.3	9.5	8.3	4.5	4.3	15.2	15.2
Culture and recreation										
Parks and recreation	14.7	14.4	12.9	13.4	12.6	12.5	11.0	15.2	6.0	5.9
Arts and culture	1.0	1.0	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Historic preservation	-	-	-	0.3	0.4	0.5	0.4	-	-	-
Economic development	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-	-
Health and welfare	3.0	2.0	1.0	1.0	1.0	-	-	-	-	-
Public transportation	1.5	1.0	1.0	1.0	-	-	-	-	-	-
Housing	2.0	1.0	1.0	-	-	-	-	-	-	-
Wastewater	15.0	13.0	13.0	13.0	12.0	12.0	10.6	10.6	9.8	9.8
<b>Total</b>	<b>177.5</b>	<b>163.8</b>	<b>152.8</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>

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



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

Function	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General government										
Building permits issued	596	734	575	542	512	557	646	617	518	500
Building inspections conducted	4,466	4,485	4,398	3,515	3,954	2,899	1,889	1,733	1,953	1,907
Police										
Physical arrests	381	268	283	340	301	391	464	383	432	325
Parking violations	2,148	1,725	3,336	2,350	2,568	2,819	728	737	317	191
Traffic violations	N/A	N/A	N/A	N/A	N/A	N/A	2,011	3,553	3,827	1,145
Traffic stops	3,851	3,343	3,582	3,659	4,269	5,173	N/A	N/A	N/A	N/A
Public works										
Street resurfacing (miles)	7.5	4.8	4.1	5.5	4.3	5.9	6.5	2.4	2.6	2.2
Right-of-way permits issued	242	148	105	126	239	198	184	194	210	190
Wastewater										
Average daily sewage treatment (millions of gallons)	1.2	1.2	1.2	1.1	1.1	1.2	1.1	1.1	1.1	1.2

Source: City of Sedona, Arizona

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

Function	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Resource centers	1	1	1	-	-	-	-	-	-	-
Patrol units	18	18	18	17	17	19	19	16	15	15
Public works										
Streets (miles)	93.5	92.9	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	155	155	149	149	149	149	147	147	136
Parks and recreation										
Acreage	123	123	123	123	123	123	123	123	123	123
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
Treatment 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