AGENDA 4:30 P.M.

CITY COUNCIL MEETING TUESDAY, JANUARY 10, 2023

NOTES:

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

www.SedonaAZ.gov

THE MEETING CAN BE VIEWED LIVE ON THE CITY'S WEBSITE AT WWW.SEDONAAZ.GOV OR ON CABLE CHANNEL 4.

GUIDELINES FOR PUBLIC COMMENT

PURPOSE:

- To allow the public to provide input to the City Council on a particular subject scheduled on the agenda.
- This is not a question/answer session.
- No disruptive behavior or profane language will be allowed.

PROCEDURES:

- Fill out a "Comment Card" and deliver it to the City Clerk.
- When recognized, use the podium/ microphone.
- State your:
  1. Name and
  2. City of Residence
- Limit comments to **3 MINUTES.**
- Submit written comments to the City Clerk.

1. CALL TO ORDER/PLEDGE OF ALLEGIANCE/MOMENT OF SILENCE/ROLL CALL
2. CITY'S VISION/MOMENT OF ART
3. CONSENT ITEMS - APPROVE LINK TO DOCUMENT =
   a. Minutes - December 13, 2022 City Council Special Meeting-Executive Session.
   b. Minutes - December 13, 2022 City Council Regular Meeting.
4. APPOINTMENTS - None.
5. SUMMARY OF CURRENT EVENTS BY MAYOR/COUNCILORS/CITY MANAGER
6. PUBLIC FORUM (This is the time for the public to comment on matters not listed on the agenda. The City Council may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. § 38-431.01(H), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for further consideration and decision at a later date.)
7. PROCLAMATIONS, RECOGNITIONS & AWARDS - None.
8. REGULAR BUSINESS
   a. AB 2903 **Presentation/discussion** regarding the Annual Audit findings and Annual Comprehensive Financial Report (ACFR) for the City of Sedona for Fiscal Year 2021-22.
   b. AB 2908 **Presentation/discussion** and update from Tread Lightly! Executive Director, Matt Caldwell, on the accomplishments and educational outreach done by Tread Lightly! and the Red Rock OHV Conservation Crew (RROCC) to help mitigate the impacts of OHVs within the greater Sedona area.
   c. AB 2909 **Presentation/discussion** from Sedona red Rock High School Students regarding their Civic Action Projects.
   d. AB 2898 **Discussion/possible action** to approve the site selection for the permanent Sedona Loop Disc Golf Course at Posse Grounds Park.
   e. AB 2910 1) **Discussion/possible action** regarding authorization to purchase three (3) Microtransit Vehicles for an amount not to exceed $624,546 from Creative Bus Sales through the Arizona State Cooperative Purchasing Contract, and 2) approve an additional $416,364 for the purchase of two (2) additional Microtransit vehicles partially funded by the FTA 5339 Grant award.
   f. AB 2911 **Discussion/possible action** regarding the reconsideration of an installation of synthetic K-9 grass as a pilot project in a portion of the Sedona Dog Park.
   g. **Reports/discussion** regarding Council assignments.
   h. **Discussion** regarding ideas for future meeting/agenda items.

CITY COUNCIL CHAMBERS
102 ROADRUNNER DRIVE, SEDONA, AZ

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

Page 2, City Council Meeting Agenda Continued

9. EXECUTIVE SESSION

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

a. To consult with legal counsel for advice on matters listed on this agenda per A.R.S. § 38-431.03(A)(3).

b. Return to open session. Discussion/possible action on executive session items.

10. ADJOURNMENT

Posted: 01/05/2022

By: DJ

JoAnne Cook, CMC,
City Clerk

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

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

Action Minutes
Special City Council Meeting
Vultee Conference Room, Sedona City Hall,
106 Roadrunner Drive, Sedona, Arizona
Wednesday, December 13, 2022, 2:00 p.m.

1. Call to Order

Mayor Jablow called the meeting to order at 2:03 p.m.

2. Roll Call

Council Present: Mayor Scott Jablow, Vice Mayor Holli Ploog, Councilor Melissa Dunn, Councilor Brian Fultz, Councilor Kathy Kinsella, and Councilor Jessica Williamson. Councilor Furman arrived at the meeting at 2:31 p.m. Vice Mayor Ploog attended via Zoom.

Staff Present item: City Manager Karen Osburn, Attorney Kurt Christianson, Deputy City Manager Joanne Keene, and City Clerk JoAnne Cook.

3. Special Business

Motion: Councilor Williamson moved to enter into Executive Session at 2:05 p.m. Seconded by Councilor Kinsella. Motion carried unanimously with six (6) in favor (Jablow, Ploog, Dunn, Fultz, Kinsella, and Williamson) and zero (0) opposed.

Kurt Christianson gave the admonition.

a. Discussion/consultation with the City Attorney for legal advice to consider the City's position regarding pending litigation and settlement discussions in the Forest Road Connection Project eminent domain cases. This matter is brought in executive session pursuant to A.R.S. § 38-431.03(A)(3) & (4).

Councilor Furman arrived at the meeting at 2:31 p.m.

b. Discussion/consultation for legal advice and to consider Council position and instruct its attorneys and designated representatives regarding contract negotiation and negotiations for the purchase, sale or lease of real property located at Tlaquepaque and SR179 for the Pedestrian Undercrossing on Oak Creek Improvements Project. This matter is brought in executive session pursuant to A.R.S. § 38-431.03(A)(3), (4), & (7).

Reconvened in open session at 2:52 p.m.

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

Motion: Councilor Kinsella moved to authorize the City Attorney and Assistant City Manager to proceed with negotiations for the settlement of the Penman and McDonald properties regarding the Forest Rd. connection as directed in executive session with the understanding that the final settlement will come back to Council. Seconded by Vice Mayor Ploog. Motion carried unanimously with seven (7) in favor (Jablow, Ploog, Dunn, Fultz, Furman, Kinsella, and Williamson) and zero (0) opposed.

Motion: Councilor Kinsella moved to authorize the City Attorney, City Manager or City Manager's designee to proceed with negotiations for the acquisition of real property located at Tlaquepaque for the pedestrian underpass as directed in executive session with the understanding that the final settlement will come back to Council. Seconded by Vice Mayor Ploog. Motion carried unanimously with seven (7) in favor (Jablow, Ploog, Dunn, Fultz, Furman, Kinsella, and Williamson) and zero (0) opposed.

4. Adjournment

Mayor Jablow adjourned the meeting at 2:55 p.m.

I certify that the above are the true and correct actions of the Special City Council Meeting held on December 13, 2022.

_____ _____

JoAnne Cook, City Clerk Date

Action Minutes
Regular City Council Meeting
City Council Chambers, Sedona City Hall,
102 Roadrunner Drive, Sedona, Arizona
Tuesday, December 13, 2022, 4:30 p.m.

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

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

Council Present: Mayor Scott Jablow, Vice Mayor Holli Ploog, Councilor Melissa Dunn, Councilor Brian Fultz, Councilor Pete Furman, Councilor Kathy Kinsella, and Councilor Jessica Williamson.
Staff Present: City Manager Karen Osburn, Deputy City Manager Joanne Keene, Assistant City Manager/Director of Public Works Andy Dickey, City Attorney Kurt Christianson, Housing Manager Shannon Boone, Arts Coordinator Nancy Lattanzi, and City Clerk JoAnne Cook.

2. City's Vision/Moment of Art

The City's Vision Statement was played.

Nancy Lattanzi introduced vocalist Gioa of the Band Sugar Moon. Gioa played covers *Kind and Generous* by Nancy Merchant and *Move On Up* by Curtis Mayfield. She dedicated *Kind and Generous* to City Council for their service.

3. Consent Items

a. Minutes - November 22, 2022 City Council Special Meeting – Executive Session.
b. Minutes - November 22, 2022 City Council Regular Meeting.
c. Minutes - November 28, 2022 City Council Special Meeting.
d. AB 2895 Approval of Five-Year Agreement with TransLoc for Microtransit and Fixed Bus Route Intelligent Transportation Systems (ITS), and Cellular Based Voice Over Internet Protocol (VoIP).
e. AB 2907 Approval of a Resolution appointing the City of Sedona Finance Director as Chief Financial Officer of the City for the purpose of submitting the annual expenditure limitation report to the Arizona Auditor General's Office.

Motion: Councilor Kinsella moved to approve consent agenda items 3a, 3b, 3c, 3d, and 3e. Seconded by Councilor Williamson. Vote: Motion passed with seven (7) in favor (Dunn, Fultz, Furman, Jablow, Kinsella, Ploog, Williamson) and zero (0) opposed).

4. Appointments – None.

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

Vice Mayor Ploog stated the Toys for Tots Stuff the Bus was a success and thanked all in the community who participated. She provided information on the following upcoming events through Parks & recreation and encouraged all to visit the website for more

information:

- The City's first Winter Play Day will be January 14, 11 a.m. - 4 p.m., at the Posse Grounds Pavilion, vendor applications accepted through December 30th.
- Grasshopper Youth Basketball season started this week, games will begin January 14 and be held at the West Sedona School Gym on Saturdays.
- B.E.S.T. Sports for Kids - The Beginners Edge Sports Training Program are weekend youth sports clinics for youth ages 16 months up to 10 years old. Registration is open for the winter season, January 15 – February 19, 2023, and will offer Basketball, Soccer, Volleyball, or a 4-Sport Multi-Sport Clinic. Cost is $96 per registrant per sport/session with registration closing on January 13.
- Parks and Recreation Pickleball Organized Play (POP): Join locals and tourists for 5 days of organized play at Posse Grounds Park on Mondays, Tuesdays, Thursdays, Fridays, and Sundays.
- Open Gym – Tuesdays and Thursdays, 7pm-9pm, West Sedona School Gym, $2 fee
- Tennis Lessons – private lessons offered on Mondays or Wednesdays at Posse Grounds Park Tennis Courts.

Councilor Williamson provided a recycling tip on behalf of Sedona Recycles. She said wrapping paper is not recyclable and urged residents not to put it in the recycle bins. Vice Mayor Ploog stated 350 attendees attended the Breakfast with Santa event, she thanked Santa, the park rangers, and all volunteers who participated.

6. Public Forum

Opened to the public at 4:47 p.m.

John Spera, Sedona, congratulated new council members and urged them to work in a unified fashion to better the community.

Brought back to Council at 4:52 p.m.

7. Proclamations, Recognitions & Awards- None.

8. Regular Business

a. AB 2888 Public hearing/discussion/possible action regarding a request for Preliminary Plat approval to subdivide approximately 6.5 acres into a 11-unit single family subdivision at 165 Golden Eagle Drive. The property is zoned Single Family Residential (RS-18) and is located south of W State Route 89A, south of Golden Eagle Drive and east of Carol Canyon Dr. APN: 408-10-060B, -060C.Case Numbers: PZ20-00007 (SUB) Applicant: SEC, Inc.

Presentation by Cari Meyer, Tony Cullum Law Attorney Tony S. Cullum, P.C., Chris Tortorello of Torel Building, and Southwestern Environmental Consultants, Inc. President Krishan Ginige, P.E., MS, CFM.

Questions and comments from Council.

Opened to the public at 5:57 p.m.

The following spoke in favor of the request: Ed Tortorello, Sedona, Robert Masters,

Sedona.

The following spoke in opposition to the request: Peggy Chaikin, Sedona, Rolt Elschner, Sedona, Maryann Livingstone, Sedona, Mark TenBroek, Sedona, Keith Barnhart, Sedona.

Brought back to Council at 6:18 p.m.

Questions and Comments from Council.

Motion: Councilor Williamson moved to go into executive session at 6:18 p.m. Seconded by Vice Mayor Ploog. Vote: Motion carried unanimously with seven 7) in favor (Jablow, Ploog, Dunn, Fultz, Furman, Kinsella, and Williamson) and zero (0) opposed.

9. Executive Session

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

a. To consult with legal counsel for advice on matters listed on this agenda per A.R.S. § 38-431.03(A)(3).

b. Return to open session. Discussion/possible action on executive session items.

Returned to open session at 6:56 p.m.

Mayor Jablow read a signed petition titled Review of the Refuge at Sedona, Case No. PZ20-00007 (SUB) from Sedona residents in opposition to the request.

Comments from Council.

Motion: Councilor Williamson moved to approve the proposed Preliminary Plat as set forth in case number PZ20-00007 (SUB), The Refuge at Sedona, based on compliance with all ordinance requirements of LDC Section 8.3 and 8.5 and satisfaction of the Subdivision findings and applicable Land Development Code requirements as outlined in the Planning and Zoning Commission staff report, which staff report is hereby adopted as the findings of the City Council, and the attached conditions of approval. Seconded by Councilor Furman. Vote: Motion failed with two (2) in favor (Furman, Williamson) and five (5) opposed (Dunn, Fultz, Jablow, Kinsella, Ploog). Councilor Fultz said he opposed because of the three conditions, 7.3F(4)a, 7.3F(5), and 7.3C(4)b that are not in compliance with the Sedona Land Development Code. Councilor Kinsella said she agreed with Councilor Fultz and opposed due to the combination of exceptions requested. Mayor Jablow said agreed with the previous statements and opposed due to the totality of the exceptions requested.

Break at 7:14 p.m. Brought back to Council at 7:37 p.m.

Returned to items under 8. Regular Business

8. Regular Business

b. AB 2889 Public hearing/discussion/possible action regarding a request for Preliminary Plat approval to subdivide approximately 3.3 acres into a 6-unit single family subdivision at 10 Sky Line Drive. The property is zoned Single Family Residential (RS-18) and is located southwest of the intersection of State Route 179 and Chapel Rd. APN: 401-34-033B.Case Numbers: PZ21-00014). (SUB) Applicant: Sefton Engineering (Luke Sefton).

Presentation by Cari Meyer and Luke Sefton of Sefton Engineering Consultants, LLC.

Questions and comments from Council.

Opened to the public at 7:51 p.m.

James Caprile, Sedona, asked questions of the developer and expressed concerns about heavy traffic, Robert Pifke, Sedona, requested a variance for the developer eliminate the sidewalk in the neighborhood and suggested a sidewalk be placed along HWY 179, Jim Blair, Sedona, expressed concerns regarding drainage.

Brought back to Council at 7:58 p.m.

Questions and comments from Council.

Opened to public at 8:26 p.m.

Tom Lavey, Sedona, spoke in favor of a decomposed granite material sidewalk.

Brought back to Council at 8:28 p.m.

Motion: Councilor Williamson moved to approve the proposed Preliminary Plat as set forth in case number PZ21-00014 (SUB), Chapel View Terrace, based on compliance with all ordinance requirements of LDC Section 8.3 and 8.5 as amended and satisfaction of the Subdivision findings and applicable Land Development Code requirements as outlined in the Planning and Zoning Commission staff report, which staff report is hereby adopted as the findings of the City Council, and the attached conditions of approval as amended by Council during discussion. Seconded by Councilor Kinsella. Vote: Motion carried unanimously with seven 7) in favor (Jablow, Ploog, Dunn, Fultz, Furman, Kinsella, and Williamson) and zero (0) opposed.

Item 8c was not discussed and will be placed on a future agenda.

c. AB 2861 Discussion/possible direction regarding City Council's State Legislative priorities.

d. AB 2899 Discussion/possible action regarding updates to the Rent Local Program.

Motion: Councilor Kinsella moved to amend the requirement from three years to one year that a Rent Local property owner must refrain from short-term renting. Seconded by Councilor Fultz. Vote: Motion carried with six (6) in favor Jablow, Ploog, Dunn, Fultz, Furman, Kinsella, and Williamson) and one (1) opposed (Furman).

e. Reports/discussion regarding Council assignments

Mayor Jablow said he attended the Yavapai County Supervisor's, Mayor's, and Manger's bi-annual meeting and learned the Big Park School campus will be convert to the headquarters for Yavapai County Search and Rescue and Sheriff, teacher housing will be built, and the Culinary Institute will be relocating to the site; he learned about Camp Verde's tourism campaign efforts; AZ Fish and Game will be training all law enforcement agencies in the state on OHV enforcement; and, Code Red will be replaced with the Everbridge phone app. Councilor Furman said he attended the Coconino Plateau Water Advisory Committee, Councilor Furman was appointed Vice Chair, they passed budget, and Erinanne Saffel, AZ State Climatologist gave a presentation that is available at Coconino Plateau Water Advisory Council/Coconino Plateau Watershed Partnership (cpwac.org).

f. Discussion regarding ideas for future meeting/agenda items

Vice Mayor Ploog requested an item for consideration of piloting synthetic grass at the dog park be added to a future agenda. Supported by Councilor Kinsella. This item will be added to the January 10, 2023 agenda for a 15-minute discussion.

10. Adjournment

Mayor Jablow adjourned the meeting at 9:12 p.m. without objection.

I certify that the above are the true and correct actions of the Regular City Council Meeting held on December 13, 2022.

_____ _____

JoAnne Cook, CMC, City Clerk Date

CITY COUNCIL AGENDA BILL

AB 2903
January 10, 2023
Regular Business

Agenda Item: 8a
Proposed Action & Subject: Presentation/discussion regarding the Annual Audit findings and Annual Comprehensive Financial Report (ACFR) for the City of Sedona for Fiscal Year 2021-22.

Department	Financial Services
Time to Present	20 minutes
Total Time for Item	30 minutes
Other Council Meetings	N/A
Exhibits	A. Annual Comprehensive Financial Report B. Annual Expenditure Limitation Report C. Governance Communication D. Internal Control Communication E. HURF Audit Report F. PowerPoint Presentation

City Attorney Approval	Reviewed 1/3/23 KWC
City Manager's Recommendation	For information and discussion only.

Expenditure Required	
$	N/A
Amount Budgeted	
$	N/A
Account No. (Description)	
Finance Approval	☒

SUMMARY STATEMENT

Background:

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

The required audit reports included as exhibits are as follows:

- Annual Comprehensive Financial Report (ACFR)[1]
  - ***Purpose:*** Presents the audited financial statements and related disclosures with the auditors' opinion regarding the presentation of the financial statements.
  - ***Results:*** The auditors' opinion was that, in all material respects, the financial statements fairly present the City's financial position and financial activities for fiscal year 2021-22.
- Annual Expenditure Limitation Report
  - ***Purpose:*** Presents the results regarding the City's compliance with expenditure limitation requirements.
  - ***Results:*** The City was well under the expenditure limit for fiscal year 2021-22.
- Governance Communication
  - ***Purpose:*** Communicates to those charged with governance, the City Council and Senior Management, the scope of audit procedures performed, significant findings, and other information, such as disagreements with management, audit adjustments and significant estimates, that are not communicated in the audited financial statements.
  - ***Results:*** No issues were identified by the auditors during the fiscal year 2021-22 audit.
- Internal Control Communication
  - ***Purpose:*** Identifies any significant deficiencies or material weaknesses in internal controls. If deficiencies in controls are identified, the auditors may offer recommendations for ways to improve these controls that will help to mitigate risk and strengthen accounting processes.
  - ***Results:*** No significant deficiencies or material weaknesses were identified by the auditors during the fiscal year 2021-22 audit.
- Highway User Revenue Fund (HURF) Audit Report
  - ***Purpose:*** Identifies the auditors' opinion regarding the City's compliance with HURF regulations.
  - ***Results:*** The auditors' opinion was that the City complied, in all material respects, with the HURF requirements for fiscal year 2021-22.

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

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

[1] Please note the Government Finance Officers Association (GFOA) has asked for the discontinuance of the acronym for the formerly named Comprehensive Annual Financial Report due to the similarity to a derogatory term used in South Africa. The Governmental Accounting Standards Board (GASB) has officially changed the report name to Annual Comprehensive Financial Report (ACFR).

The fiscal year 2021-22 ACFR has been submitted to the Government Finance Officers Association (GFOA) for review. GFOA evaluates the ACFR based on the high standards of the award program, which includes demonstrating the spirit of transparency and full disclosure. We have received the GFOA award for the past 23 years and hope to do so again.

Sandy Cronstrom and Richard Gillespie of CliftonLarsonAllen LLP will be present to discuss the City's ACFR and audit reports with the City Council. A presentation also will be made regarding an overview of the City's financial status as of the fiscal year ended June 30, 2022. While it has been our standard practice to ask the auditor to present the audit reports, this also meets the requirements of HB 2906 which requires the auditor to present the report to the City Council within 90 days of audit completion.

In reviewing the audit reports, you may notice changes in the presentation of major vs. nonmajor funds, changes due to a new accounting requirement related to the recording and reporting of leases, as well as some changes to the language in the various audit reports. For anyone interested in more information about why those changes were made, the following sections provide further details.

Presentation of Major Funds

There are specific requirements to determine when a fund is considered a major or a nonmajor fund, based on assets, liabilities, revenues, and expenditures/expenses compared to totals for the City. For fiscal year 2021-22, the Grants & Donations Fund and the Public Transit Enterprise Fund qualified as major funds. This means separate presentation in the ACFR, and the auditors must audit those funds individually instead of in the aggregate for nonmajor funds.

Changes to Governmental Accounting Standards

While it is quite common for governmental accounting standards to change each year, not all changes are significant or relevant to the City of Sedona's financial statements. For the fiscal year 2021-22 audit, the Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, had a material impact.

For many years, the International Accounting Standards Board (IASB) has worked toward convergence between national accounting standards through the development of global accounting standards, referred to as International Financial Reporting Standards (IFRS). While U.S. generally accepted accounting principles (US GAAP) remains separate from IFRS, the Financial Accounting Standards Board (FASB)[2] and IASB have entered into an agreement that is aimed at eliminating differences between US GAAP and IFRS. The Securities & Exchange Commission (SEC) has also encouraged further work to align the two standards.

One of the significant differences between US GAAP and IFRS has been the treatment of leases. FASB issued a new accounting standard that significantly brought the two accounting standards closer in alignment. GASB regularly reviews changes to FASB accounting standards to determine whether they believe the standards should be applicable to state and local governmental entities, which is why the matter of leases resulted in GASB Statement No. 87

[2] FASB is the board responsible for creating for-profit and not-for-profit accounting standards. The City follows GASB, which the board responsible for creating governmental accounting standards for state and local governments. The federal government has its own accounting standards created by the Federal Accounting Standards Advisory Board (FASAB).

(GASB 87). In a nutshell, the changes to the presentation of leases were made to be more in line with the way many countries in the rest of the world present leases.

Prior to GASB 87, leases were classified as capital or operating. Capital leases involve ownership characteristics, while operating leases are essentially renting an asset. Capital leases[3] were recorded as liabilities for the balance of the lease principal and as assets for the asset being leased. Operating leases[4] had no balance sheet impact. Capital assets regularly included note disclosure, while operating leases only required note disclosure if deemed significant.

Implementation of GASB 87 required a thorough review of all the City's agreements and contracts to identify if they included provisions that met the new definition of a lease.

With the implementation of GASB 87, the distinction of capital vs. operating no longer exists, only leases. Former operating leases are now recorded on the balance sheet. In addition, many of the former capital leases have been renamed as financed purchases. A financed purchase is a contract that transfers ownership of the asset to the lessee at the end of the contract and does not contain termination options other than a fiscal funding or cancellation clause that is not reasonably certain of being exercised.

The new definition of leases and the measurement of related assets and liabilities involves many complex situations. Only the situations impacting the City's audit are discussed here. GASB 87 requires imputing an interest rate based on the City's estimated incremental borrowing rate. GASB 87 also requires consideration of terms such as purchase options if it is reasonably certain that the options will be exercised[5] and lease term extension options if it is reasonably certain that the options will be exercised.[6]Provisions that allow for termination of the lease as a result of purchasing the underlying asset are not considered termination options.[7]

Former capital leases that have been reclassified as financed purchases include the MidState energy efficiency equipment, the Police Department in-car and body-cam video system, multiple police vehicles, and the street sweeper. This reclassification impacted reporting but did not have an impact on the numbers.

The addition of former operating leases to the balance sheet had the more significant impact. The prior existing leases added to the financial statements, plus the leases entered into during fiscal year 2021-22, include copiers, a postage meter, several parking lots, and the former school district administrative site. The total liability added to the financial statements for these leases was $3.92 million, and the total offsetting amortized asset value added to the financial statements for these leases was $3.94 million.

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[3] An example of a capital lease is the City's lease of the street sweeper entered into during fiscal year 2020-21 which transferred ownership of the asset at the end of the lease term.
[4] An example of an operating lease is the City's lease of copiers entered into during fiscal year 2018-19. The copiers are returned at the end of the lease term.
[5] The purchase of the trailhead shuttle parking lot was deemed to be reasonably certain and falls under this definition; therefore, the estimated acquisition cost is included in the lease asset and lease liability.
[6] Several of the parking lot leases include automatic renewals if a termination notice is not given.
[7] The possible termination of the former school district administrative site lease if the property is purchased falls under this definition; therefore, the full 19 years of the lease are reported as an asset and liability.

None of the City's agreements reviewed met the GASB 87 criteria to add leases that would result in the City as lessor.

Changes to Auditing Standards

While it is quite common for auditing standards to change each year, not all changes are readily apparent in the audit reports or relevant to the City of Sedona's audit. For the fiscal year 2021--22 audit, the following new auditing standards were effective. Only the portions relevant to the City's audit are discussed below.

- American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards (SAS) No. 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*
    - Changed the structure and content of the auditor's opinion letter including the following. See pages 13-16 of the ACFR.
        - The auditors' opinion has been moved to the second paragraph followed by the basis for opinion.
        - In the Responsibilities of Management for the Financial Statements section, a paragraph has been added regarding the requirement to evaluate whether the City is a "going concern."
        - Added more detailed information in the Auditors' Responsibilities for the Audit of the Financial Statements section.
- AICPA SAS No. 135, *Omnibus Statement on Auditing Standards – 2019*
    - Added requirement to communicate significant unusual transactions, if any. See Governance Communication report page 2.
- AICPA SAS No. 137, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*
    - Added requirement to communicate auditors' responsibility to read the other information included in the ACFR that is not covered by the audit opinion and consider whether a material inconsistency exists. See ACFR page 15 and Governance Communication report page 4.

Municipal Court Triennial Review

The same audit firm, CliftonLarsonAllen LLP, is also conducting a triennial review of the Sedona Municipal Courts finances for fiscal year 2021-22. That work is in process and expected to be completed within the next 30 days. That report will be provided to the magistrate upon completion.

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

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

Alternative(s): N/A

MOTION

I move to: For presentation and discussion only

ACFR 2022

ANNUAL COMPREHENSIVE FINANCIAL REPORT

City of Sedona, Arizona

for fiscal year ending June 30, 2022

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CITY OF SEDONA, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2022

Prepared by:
Financial Services Department

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CITY OF SEDONA, ARIZONA

For the Year Ended June 30, 2022

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INTRODUCTORY SECTION

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City of Sedona
102 Roadrunner Dr.
Sedona, AZ 86336

December 21, 2022

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

We are pleased to submit to you the fiscal year 2022 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, 2022, 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, 2022, 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.

(928) 282-3113 I sedonaaz.gov I FAX (928) 204-7105

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 9,614. 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 has exploded, short-term rentals have displaced full-time residents, and housing prices that were already high are increasing even further beyond affordability for the area workforce.

The City provides a wide range of municipal services, including police protection, sewer services, construction and maintenance of streets, traffic control, on- and off-street parking, recreational and cultural events, planning and zoning services, 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 visitor's center and tourism bureau, and recycling services.

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

The City of Sedona, like all cities in the State of Arizona, is subject to numerous budget and related legal requirements. Article IX, Section 20(1) of the Arizona Constitution sets limits on the City's legal budget capacity. The City currently operates under the Alternative Expenditure Limitation – Home Rule option. This option allows the City Council to establish the budgetary limits locally. In order to maintain the Home Rule option, the voters must authorize this option every four years. The citizens of Sedona reauthorized it in August 2018 and is effective for fiscal years 2020 through 2023. 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 60, and the community consists largely of retired citizens, second homes for part-time residents, and short-term rental properties for investors. Economic development initiatives are underway to improve and diversify opportunities for local business owners; however, lack of affordable housing results in most employees commuting from other locations within the Verde Valley area and beyond. Creating enough incentives for employees to commute is a consideration due to the competition for a limited employee base in the Verde Valley area.

Mandated closures in response to the COVID-19 pandemic occurred during mid-March 2020 to mid-May 2020, which is typically the City's busiest portion of the year for tourism. Hotel occupancy rates hit bottom in April 2020 with an 83% decrease. However, since reopening, the tourism activity has returned and far exceeded prior highs. The fiscal year 2022 sales taxes were up 18% and bed taxes were up 25% resulting in the highest year that the City has ever seen. For the first quarter of fiscal year 2023, sales taxes were down 6% and bed taxes were down 10%, however, still significantly higher than pre-pandemic levels. Pre-COVID-19, a considerable portion of the visitors were typically international and long-distance travelers; however, there has been a significant reduction in the number of tourists in these categories with an increase in the return of the long-distance traveler numbers over the past several months. The substantial increase in regional travelers has more than made up the difference in tourism levels and the sales and bed tax revenues.

Retail, restaurant and bar, hotel/motel, construction, leasing, and amusements and other tax collections for fiscal year 2022 were the highest ever. The increase in retail sales tax collections can be attributed to both increases in local sales activity and an increase in online sales activity. The increase in other categories can largely be attributed to the continued increase in interest in the Sedona area as a prime tourist and retirement destination.

Economic Outlook

Taxable Sales: The City of Sedona places a heavy reliance on sales tax revenues, and the economy is heavily driven by tourism and the generation of sales taxes from tourism-related activities and sales of high-end commodities such as art pieces and jewelry. Overall, sales and bed tax revenues comprise approximately 86% 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 increased 18%, after an increase of 38% in the prior fiscal year. Since reopening, sales tax revenues have far exceeded expectations and prior year levels, creating all-time highs. Due to the highly desirable location, sales tax revenues are expected to continue at strong levels barring any significant recessions.

The City also has a 3.5% bed tax (transient occupancy), a discriminatory sales tax, which is allocated to the General Fund. The bed tax rate was increased from 3% to 3.5% effective January 1, 2014. State statutes require the proceeds from the 0.5% rate increase be used exclusively for the promotion of tourism. At the time of the rate increase, the City Council committed 55% of the proceeds of the bed tax to the management and promotion of tourism, including a destination marketing program. The marketing program was focused on increasing interest and visitation to Sedona as a destination with local options for many types of activities and attractions. The Sedona Tourism Bureau kicked off the program in mid-July 2014. Since the program began, it exceeded all expectations. In addition, SB 1350 was effective January 1, 2017. The increases in revenue collections for transient occupancy have also been attributable to this legalization of short-term residential rentals.

Since fiscal year 2019, the marketing efforts have been reduced and eventually eliminated, and more effort has been placed on the management of tourism to achieve a sustainable balance. For fiscal year 2020, bed tax revenues were less than the prior year actuals by 13% due to the COVID-19 closures. Since reopening, bed tax revenues have drastically exceeded expectations, as have levels of visitation. In response to the dramatic increases in tourism levels, the City Council directed the Sedona Tourism Bureau to fully suspend the destination marketing program during the fiscal year 2022 budget process. Even with the suspension of destination marketing, tourism remained strong through most of fiscal year 2022. The "new normal" for Sedona visitation post-pandemic is not yet known, but it is expected that tourism levels will not decrease significantly as private marketing continues, as well as the free advertising that occurs with every social media post and visitors sharing stories of their Sedona experience with others.

State Shared Revenues: The City of Sedona receives significant revenue allocations from the State. These "State shared revenues" include allocations of the State-collected income tax, sales tax, gas tax and motor vehicle in-lieu taxes. A significant amount of this revenue is placed in the City's General Fund, where it is used to support a large portion of the City's day-to-day activities. State shared revenue represents approximately 8% 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 $55.8 million capital improvement program for fiscal year 2023 includes $23.1 million for streets and transportation related improvements, $7.5 million for wastewater projects, $1.4 million for public transit projects, and $20.0 million for strategic real estate/land acquisition.

Unassigned fund balance in the General Fund at June 30, 2022 was 66% 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, or strategic acquisition of real estate/land) will be determined in the next budget cycle process for fiscal year 2024.

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 2022 adopted budget projected General Fund surplus balances at the end of the year of $16.3 million. At June 30, 2022, all the City's policy reserves were fully funded and General Fund surplus balances exceeding policy requirements at the end of the year were $26.0 million.

During the fiscal year 2023 budget process, the General Fund surplus attributable to fiscal year 2021 of $12.2 million and a portion of the projected surplus for 2022 of $5.6 million were allocated to capital improvement projects, the planned public transit system, an additional one-time contribution toward the Public Safety Personnel Retirement System (PSPRS) unfunded liability, and affordable housing initiatives. The remaining $8.3 million of the surplus for fiscal year 2022 will be allocated during the fiscal year 2024 budget process.

Major Initiatives and Service Efforts and Accomplishments for the Year

During fiscal year 2022, 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 2022:

Police

- Continued increased patrols in parking lots and trailheads.
- Exceeded the state's investigation clearance rates for violent crimes by 52%.
- Exceeded the state's investigation clearance rates for property crimes by 20%.

Public Works

- Continued implementation of Transportation Master Plan projects, including several bicycle/pedestrian improvements.
- Completed 5.84 miles of streets rehabilitation and pavement preservation projects.
- Increased the number of days of traffic control operations for days experiencing high congestion on State Routes 89A and 179, the City's main arterials.
- Implemented an annual curbside yard waste collection program.
- Assisted with traffic and parking control at trailheads.

Community Development

- Kicked off required 10-year update of the Community Plan
- Continued an in-house training program for plan reviews and inspections.
- Approximately 730 code enforcement cases processed.
- Completed approximately 4,500 building inspections.

Parks & Recreation

- Developed a sustainable rentals program to manage and process increasing demand for City facilities.

Wastewater

- Maintained regulatory compliance.
- Completed the final phase of the treatment plant interceptor line assessment to obtain sewer main conditions of the 5 miles between City limits and the treatment plant with findings of minimal deficiencies.
- Collected and processed approximately 1.22 million gallons of wastewater per day.

Sustainability

- Adopted the Climate Action Plan.
- Approved a Green Fleet Policy to transition the City's fleet to electric vehicles.

Housing

- Hired a Housing Manager to oversee the program.
- Launched the down-payment/closing cost assistance program.

Public Transit

- Deployed trailhead shuttle program in March 2022.
- Obtained Special Use Permit from the U.S. Forest Service for shuttle access to trailheads.
- Continued implementation of the Greater Sedona/Oak Creek Canyon Transit System Development and Implementation Plan in coordination with surrounding jurisdictions.

Management Services

- Updated the Emergency Preparedness Plan, including a resident guide distributed prior to wildfire season.
- Hired a Procurement Officer and initiated development of a centralized procurement system.
- Developed the City's first budget-in-brief document for high-level communication of budget items to the community.

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 2023 budget process. Some of the fiscal year 2023 priorities include completing various transportation improvements, implementation of a public transit system, addressing trailhead congestion and impact to neighborhoods, addressing affordability of housing issues, implementation of environmental stewardship/sustainability initiatives, review of the tourism management contract and relationship with the Sedona Chamber of Commerce & Tourism Bureau, improving citizen communications and relations, monitoring and assessing impacts of short-term rentals and identifying opportunities for mitigating the negative impacts, enhancing economic diversification, continuing the efforts around emergency preparedness including evacuation planning, continuing the update of the Community Plan, strategic acquisition of land/real estate, acceleration of the Brewer Road park build-out, addressing homelessness, and conducting an environmental impact study on off-highway vehicles and U.S. Forest Service trails access.

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, 2021. This was the 23rd 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 2022. 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.

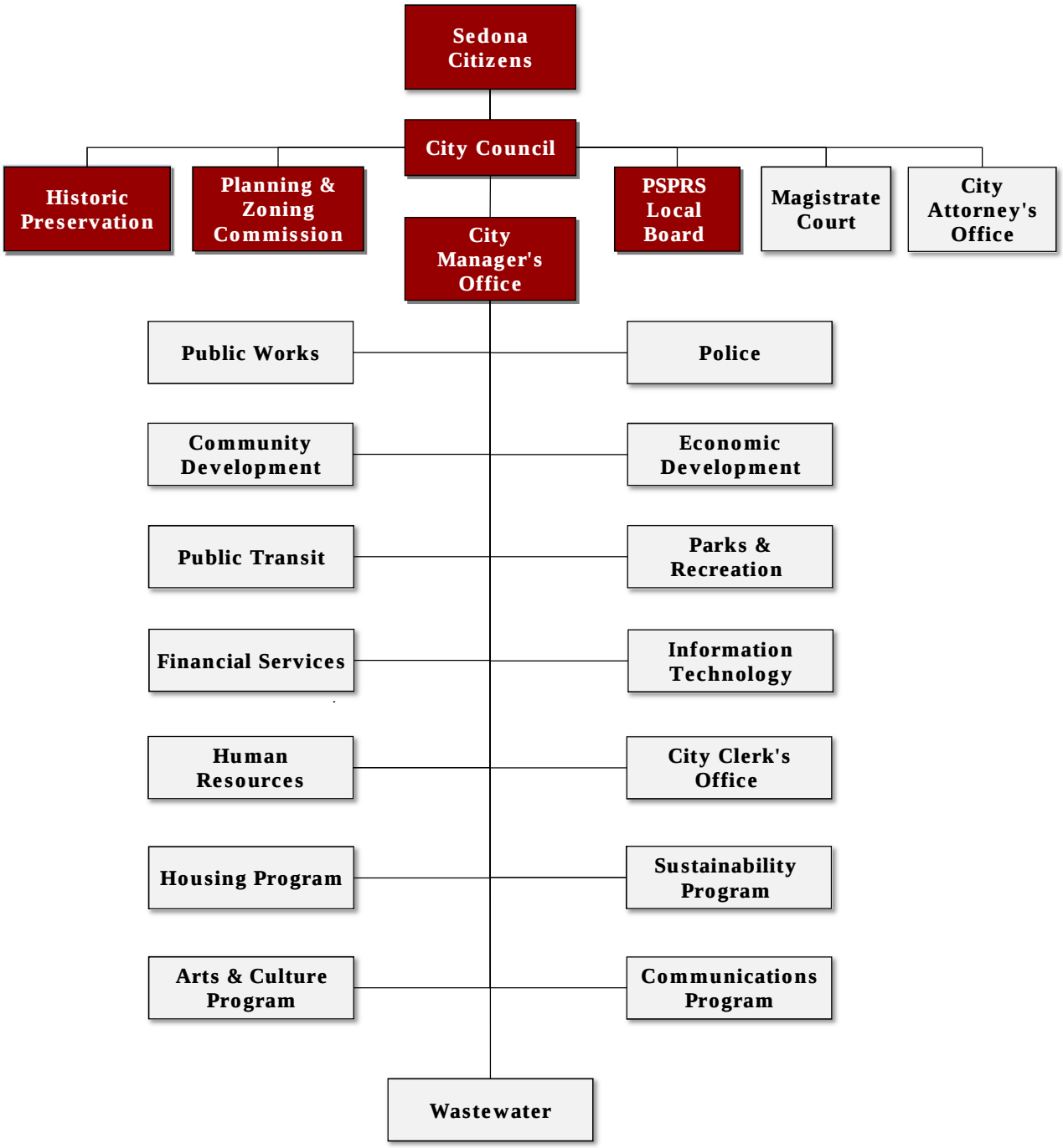
The preparation of this report could not have been accomplished without the efficient and dedicated services of the staff of the Financial Services Department. We also wish to thank the members of the City Council for their interest and support in planning and conducting the financial affairs of the 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, 2022



CITY OF SEDONA, ARIZONA

LIST OF ELECTED AND APPOINTED OFFICIALS

JUNE 30, 2022

Sandy Moriarty
Mayor

Scott Jablow
Vice Mayor

Councilmembers

Kathy Kinsella Tom Lamkin Holli Ploog

Jon Thompson Jessica Williamson

Karen Osburn
City Manager

Joanne Keene
Assistant City Manager

Cherie R. White
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, 2021

Christopher P. Morrill

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, 2022, 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, 2022, 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, 2021, the City adopted new accounting guidance for leases. The guidance requires lessors to recognize a lease receivable and corresponding deferred inflow of resources and lessees to recognize a right to use asset and corresponding lease liability for all leases with lease 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.

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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.

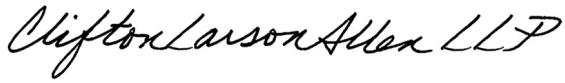
Other Information

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022, 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.



CliftonLarsonAllen LLP

Phoenix, Arizona
December 21, 2022

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

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, 2022. 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 2022 and 2021 are as follows:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2022 and 2021 by $211.5 million and $189.6 million (net position), respectively. Of these amounts, $61.7 million and $45.2 million (unrestricted net position), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position increased by $22.0 million during fiscal year 2022 and increased $20.4 million during fiscal year 2021.
- As of June 30, 2022 and 2021, the City's governmental funds reported combined ending fund balances of $82.6 million and $47.4 million, respectively, which were comprised of nonspendable, restricted, committed, assigned, and unassigned fund balances.
- At the close of fiscal year 2022, unassigned fund balance for the General Fund was $15.7 million, or 66% of actual expenditures.
- During fiscal year 2022, the City's total bonded debt increased by $23.2 million primarily due to the issuance of excise tax revenue bonds for transportation projects.

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.

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.

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 83 of this report.

Combining and Individual Fund Financial Statements and Schedules

The combining statements referred to earlier, in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions and OPEB. The combining and individual fund financial statements and schedules can be found beginning on page 93 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 $211.5 million and $189.6 million at the close of the fiscal year 2022 and 2021, respectively.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)

CITY OF SEDONA, ARIZONA
CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2022 AND 2021

	Governmental Activities		Business-type Activities		Total	
	2022	2021 (Restated)	2022	2021 (Restated)	2022	2021 (Restated)
Current and other assets	$ 91,719,867	$ 53,847,481	$ 22,468,038	$ 22,833,492	$114,187,905	$ 76,680,973
Capital assets	73,133,771	61,937,117	102,249,187	101,682,502	175,382,958	163,619,619
Total assets	164,853,638	115,784,598	124,717,225	124,515,994	289,570,863	240,300,592
Deferred outflows of resources	3,916,273	4,268,179	322,387	364,378	4,238,660	4,632,557
Long-term liabilities outstanding	45,098,563	23,088,907	20,293,142	21,986,983	65,391,705	45,075,890
Other liabilities	7,439,365	4,649,972	5,444,645	5,340,916	12,884,010	9,990,888
Total liabilities	52,537,928	27,738,879	25,737,787	27,327,899	78,275,715	55,066,778
Deferred inflows of resources	3,611,055	282,981	404,819	18,086	4,015,874	301,067
Net position						
Net investment in capital assets	55,543,230	51,575,032	88,703,727	87,603,775	144,246,957	139,178,807
Restricted	5,516,511	5,166,724	41,123	5,678	5,537,634	5,172,402
Unrestricted	51,561,187	35,289,161	10,152,156	9,924,934	61,713,343	45,214,095
Total net position	$112,620,928	$ 92,030,917	$ 98,897,006	$ 97,534,387	$211,517,934	$189,565,304

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 $144.2 million (68%) and $139.2 million (73%) for the fiscal years 2022 and 2021, respectively. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for appropriation. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the City's net position, $5.6 million (3%) for fiscal year 2022 and $5.2 million (3%) for fiscal year 2021, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position for fiscal years 2022 and 2021, $61.7 million (29%), and $45.2 million (24%) 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 $22.0 million and $20.4 million during the fiscal years 2022 and 2021, respectively. These changes are explained in the governmental and business-type activities discussion below.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position (Continued)

CITY OF SEDONA, ARIZONA
CONDENSED STATEMENT OF ACTIVITIES
FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

	Governmental Activities		Business-type Activities		Primary Government	
	2022	2021 (Restated)	2022	2021 (Restated)	2022	2021 (Restated)
Revenues						
Program revenues						
Charges for services	$ 1,864,328	$ 1,484,064	6,281,537	$6,027,344	$ 8,145,865	$ 7,511,408
Operating grants and contributions	1,608,899	1,237,623	49,490	46,400	1,658,389	1,284,023
Capital grants and contributions	2,020,763	1,372,942	669,521	1,425,829	2,690,284	2,798,771
General revenues						
Local taxes	43,197,584	36,797,336	-	-	43,197,584	36,797,336
State revenue sharing	3,435,878	3,472,933	-	-	3,435,878	3,472,933
Investment earnings (loss)	(1,909,427)	193,365	(565,765)	81,729	(2,475,192)	275,094
Other	455,738	244,064	12,530	16,312	468,268	260,916
Total revenues	50,673,763	44,802,867	6,447,313	7,597,614	57,121,076	52,400,481
Expenses						
General government	3,133,732	2,741,352	-	-	3,133,732	2,741,352
Public safety	7,503,428	8,142,665	-	-	7,503,428	8,142,665
Public works and streets	8,012,886	5,844,312	-	-	8,012,886	5,844,312
Culture and recreation	2,753,512	2,305,183	-	-	2,753,512	2,305,183
Economic development	2,168,093	2,970,824	-	-	2,168,093	2,970,824
Health and welfare	982,142	668,043	-	-	982,142	668,043
Public transportation	60,900	60,000	1,128,713	61,455	1,189,613	121,455
Housing	312,342	70,127	-	-	312,342	70,127
Interest on long-term debt	534,066	209,773	-	-	534,066	209,773
Wastewater	-	-	8,578,632	8,899,470	8,578,632	8,899,470
Total expenses	25,461,101	23,012,279	9,707,345	8,960,925	35,168,446	31,973,204
Increase (decrease) in net position before transfers	25,212,662	21,790,588	(3,260,032)	(1,363,311)	21,952,630	20,427,277
Transfers	(4,622,651)	(3,420,194)	4,622,651	3,420,194	-	-
Change in net position	20,590,011	18,370,394	1,362,619	2,056,883	21,952,630	20,427,277
Net position – beginning, as restated	92,030,917	73,660,523	97,534,387	95,477,504	189,565,304	169,138,027
Net position - ending	$112,620,928	$92,030,917	$98,897,006	$97,534,387	$211,517,934	$189,565,304

Governmental Activities – In fiscal year 2022, governmental activities increased the net position of the City by $20.6 million. Total revenues increased $5.9 million (13%) from fiscal year 2021. Program revenues, which are comprised of charges for services, operating and capital grants and contributions, increased $1.4 million (34%) largely due to donated infrastructure of $1.0 million. General revenues, which include local taxes, state revenue sharing, investment income, and other revenues, increased $4.5 million (11%) due to increases in tax revenues as a result of continued increases in tourism since the COVID-19 pandemic.

Expenses increased approximately $2.4 million, or 11%. General government expenses increased $0.4 million or 14% due primarily to expenditure and vacancy freezes during a portion of the prior fiscal year out of concern for possible negative financial impacts of the COVID-19 pandemic.

Public works and streets expenses increased $2.2 million or 37% due to resumption of maintenance projects that were delayed during the prior year, costs due to a significant storm event in July 2021, vacancy savings from the prior year, added staff capacity, and an increase in depreciation expense due to recent completion of infrastructure improvements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position (Continued)

Culture and recreation expenses increased $0.4 million or 19% due to resumption of maintenance projects that were delayed during the prior year, resumption of special events and recreation programs that were canceled during the prior year, and reopening of the public swimming pool that was closed during the prior year.

Economic development expenses decreased $0.8 million or 27% primarily due to one-time funding to the Sedona Chamber of Commerce & Tourism Bureau to pay off the loan balance of the Jordan Road property and to execute a transfer of title to the City in the prior year, as well as a decrease in the tourism management program including elimination of destination marketing.

Health and welfare expenses increased $0.3 million or 47% due to expansion of the sustainability program including added staff capacity, addition of an energy retrofit/rebate program, and addition of a curbside yard waste program.

Housing expenses increased $0.2 million or 345% due to grant-funded expenses related to transitional housing for the homeless and the hiring of a housing manager position.

Interest on long-term debt expenses increased $0.3 million or 155% due to the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*, (GASB 87) and the requirement to impute interest, as well as the initiation of new leases during the year.

Business-Type Activities – Business-type activities increased the City's net position by $1.4 million in fiscal year 2022. Revenue decreased approximately $1.2 million or 15% and expenses increased by $0.7 million or 8%.

The decrease in revenues was due to a reduction of significant one-time capacity fees received during the prior year related to a large commercial construction project, as well as the reduction of investment earnings due to unrealized losses in the fair value of investments. The City has no plans to sell these investments at a loss and expects to hold them to maturity.

The increase in expenses was due to the addition of the trailhead shuttle program, plus the resumption of the City's matching portion of the Verde Shuttle costs managed by the City of Cottonwood that were covered by the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the prior year.

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.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $82.6 million, an increase of $35.2 million, or a 74% increase in comparison with the prior year. The combined ending fund balances for fiscal year 2021 were $47.4 million.

The General Fund is the chief operating fund of the City. On June 30, 2022, the unassigned fund balance of the General Fund was $15.7 million, or 19% of the combined governmental fund balance. The unassigned fund balance of the General Fund on June 30, 2021 was $18.4 million or 39% 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 $15.7 million represents 66% of General Fund expenditures.

The General Fund balance increase of $14.1 million from fiscal year 2021 is largely due to an increase in sales tax revenue of $6.0 million as a result of the significant increases in tourism since the COVID-19 pandemic, as well as the ongoing funding structure to utilize General Fund resources to provide subsidies to other funds and provide resources for significant upcoming initiatives.

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, 2022, was $0.3 million. The Streets Fund received a transfer of $0.2 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 decreased by $1.3 million from the prior year due to the consolidation of all streets maintenance costs within the fund.

The Grants & Donations Fund balance increased approximately $29,000 to $120,000. 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, donations were received during the year that will be expended in future years.

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, 2022, was $8.5 million. The Transportation Sales Tax Fund balance increased $1.7 million due to an increase in sales tax revenue and reduction of transfers to the Capital Improvements Fund due to the issuance of excise tax revenue bonds for transportation projects to better manage cash flows during a period of significantly increasing construction costs.

The Capital Improvements Fund balance increased $21.4 million to $30.7 million. In March 2022, the City issued $21.6 million, with $3.8 million in premium, in excise tax revenue bonds for transportation projects. The City has been experiencing significant increases in construction costs and continues to project further increased cost levels. In order to better manage cash flows and take advantage of lower interest rates prior to predicted multiple rate hikes, the City chose to debt finance several projects.

The nonmajor governmental funds reported a decrease in fund balance of $0.7 million. This decrease was a result of planned capital projects paid by development impact fees.

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

At the end of the fiscal year, the unrestricted net position for the Wastewater Fund was $11.5 million. For fiscal year 2022, the change in net position for the Wastewater Fund was $1.1 million. The increase was due to continuing subsidies to the Wastewater Fund planned to be fully eliminated by fiscal year 2026-27.

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 approximately $21,000. For fiscal year 2022, the change in net position for the Public Transit Fund was $0.2 million. During the initial implementation phase, the primary source of funding for the Public Transit Fund is transfers from the Transportation Sales Tax Fund. Federal grant funding is being sought as the 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 was a $205,880 transfer from the Forest Road extension project in the Capital Improvements Fund for the accrual of the portion of bond interest costs to be paid from the General Fund assigned fund balance for Uptown improvements. The source of these monies is the net revenue of the paid parking program which the City Council pledged to the Uptown merchants to be used for Uptown improvements. The issuance of the $21.6 million in excise tax revenue bonds for transportation projects included a plan to utilize the net revenue of the paid parking program toward repayment of the bonds.

The actual expenditures reflected a favorable variance to the final budget in the amount of $4.8 million (18%) less than the total appropriations. In fiscal year 2021, actual expenditures showed a favorable variance to final budget in the amount of $3.4 million (15% less).

Unspent contingencies were approximately $2.6 million. City Manager's Office expenditures were under the budgeted amount by $1.0 million due to delays in implementation of expanded programs for sustainability, delays in implementation of proposed housing programs and hiring of a housing manager, and savings in the tourism management program. Community Development expenditures were $0.2 million under the budgeted amount primarily due to timing of costs related to the required 10-year update to the City's Community Plan. Police expenditures were $0.2 million under the budgeted amount due to vacancies and delays in filling added positions.

Total revenues reflect a positive variance to budget in the amount of $5.6 million (15%) for fiscal year 2022 and a positive variance of $13.5 million (55%) in fiscal year 2021.

Sales tax revenue was greater than the budget amount by $4.2 million as a result of continued increases in tourism since the COVID-19 pandemic. Bed tax revenue was greater than the budget amount by $1.9 million also as a result of continued increases in tourism since the COVID-19 pandemic. Investment earnings was less than the budget amount by $1.3 million due to unrealized losses in the fair value of investments. The City has no plans to sell these investments at a loss and expects to hold them to maturity.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2022 and 2021 amount to $175.4 million and $163.6 million, respectively (net of accumulated depreciation). The net increase in capital assets (net of accumulated depreciation) was $11.8 million. Capital assets include land and improvements, building and improvements, wastewater systems, machinery, vehicles, equipment, infrastructure, construction in progress, and right-to-use lease assets.

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.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)

CITY OF SEDONA, ARIZONA
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION
JUNE 30, 2022 AND 2021

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021 (Restated)	2022	2021 (Restated)	2022	2021 (Restated)
Land	$13,894,971	$12,946,198	$ 11,159,413	$ 11,159,413	$ 25,054,384	$ 24,105,611
Construction in progress	11,929,235	8,382,023	3,378,856	1,771,751	15,308,091	10,153,774
Land improvements	7,796,997	7,871,422	67,032	68,723	7,864,029	7,940,145
Buildings and improvements	4,170,082	4,478,146	8,180	-	4,178,262	4,478,146
Wastewater system	-	-	84,718,109	88,052,729	84,718,109	88,052,729
Machinery, equipment, and vehicles	1,260,036	1,357,796	1,058,190	603,540	2,318,226	1,961,336
Infrastructure	31,507,023	26,499,162	184,800	-	31,691,823	26,499,162
Right-to-use lease assets						
Land	-	-	1,599,899	-	1,599,899	-
Land improvements	107,268	128,992	-	-	107,268	128,992
Buildings and improvements	2,177,021	-	-	-	2,177,021	-
Machinery, equipment, and vehicles	291,138	273,378	74,708	26,346	365,846	299,724
Total capital assets	$73,133,771	$61,937,117	$102,249,187	$101,682,502	$175,382,958	$163,619,619

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

- Right-of-way acquisitions
- Various road and pedestrian access improvement projects
- Police facility remodel and expansion
- Acquisition of trailhead shuttle buses
- Sewer main replacement project
- Acquisition of right-to-use lease assets

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 2022, the City, had total bonded debt outstanding of $41.4 million (including related premium). At the end of fiscal year 2021, the City had bonded debt totaling $18.2 million. All of the fiscal year 2022 total bonded debt was related to revenue bonds. An additional $5.7 million of debt is outstanding that is related to capital appreciation bonds issued in fiscal year 1998 that will be paid in fiscal years 2023 through 2024. Financed purchases and leases outstanding as of June 30, 2022, were $1.9 million and $4.2 million, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Long-Term Debt (Continued)

CITY OF SEDONA, ARIZONA
OUTSTANDING OBLIGATIONS
JUNE 30, 2022 AND 2021

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021 (Restated)	2022	2021 (Restated)	2022	2021 (Restated)
Revenue bonds	$30,268,903	$5,765,000	$11,088,000	$12,400,416	$41,356,903	$18,165,416
Capital appreciation bond interest	-	-	5,660,018	8,096,607	5,660,018	8,096,607
Financed purchases	1,216,264	1,012,722	710,125	-	1,926,389	1,012,722
Leases	2,576,968	405,419	1,670,600	26,848	4,247,568	432,267
Installment purchase	-	40,398	-	-	-	40,398
Total outstanding debt	$34,062,135	$7,223,539	$19,128,743	$20,523,871	$53,190,878	$27,747,410

The City's total debt increased by $25.4 million (92%) during the current fiscal year. During the current year, the City issued $21.4 million, with $3.8 million in premium, for transportation projects. In addition, the City entered into financed purchase agreements for trailhead shuttles for $0.7 million and police vehicles for $0.4 million. The City also entered into new leases for the property that formerly served as the site for the Sedona-Oak Creek Unified School District's administrative functions for $2.3 million, for use of property and parking area as a trailhead shuttle parking lot for $1.6 million, fleet vehicles for $0.2 million, and a postage meter for approximately $23,000.

In addition to the new debt issuances, the City issued $8.9 million of excise tax revenue bonds to refinance previously outstanding excise tax revenue bonds of $8.4 million reported in business-type activities. This refinancing was done to take advantage of favorable interest rates. The result is a decrease in future debt service payments of $0.8 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, 2022, was $25.7 million in the 6% capacity and $85.5 million in the 20% capacity. In fiscal year 2021, the 6% capacity limit was $24.4 million, and the 20% capacity limit was $81.4 million. Additional information on the debt limitations and capacities may be found on page 117 in the statistical section of this report.

See Notes 8 through 11 on pages 63-67 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 2022-23 budgeted General Fund expenditures (including interfund transfers) are balanced with anticipated revenue. The total adopted fiscal year 2022-23 budget is $105.7 million, which includes capital projects of $55.8 million. The budget for fiscal year 2023 includes the following considerations:

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

- While the tourism industry, Sedona's primary industry, was expected to be one of the most heavily impacted by the COVID-19 pandemic, Sedona has seen significant increases in tourism and sales and bed tax revenues are at an all-time high. The fiscal year 2022-23 budget includes priorities intended to help mitigate the impacts of the high tourism levels.
- The fiscal year 2022-23 budget does not include any new taxes.
- The fiscal year 2022-23 budget includes estimated revenue increases of $3.4 million in sales and bed taxes. Since the budget was adopted, the sales and bed tax revenues have seen slight declines compared to fiscal year 2021-22, however, still significantly higher than pre-COVID levels.
- The overall salary budgets were increased for pay adjustments and salary study adjustments of approximately 5.2%.
- Increases in health insurance rates of 6% have been included.
- The additional contribution to pay down the unfunded liability in the Public Safety Personnel Retirement System (PSPRS) has been increased from a level-funding amount of $1.0 million to $1.1 million. In addition, the budget includes an additional one-time contribution of $1.0 million, plus use of Smart & Safe Arizona Fund distributions to supplement the payment toward the PSPRS unfunded liability.
- Ten positions were added to address staffing gaps in expanded City service levels, to improve succession planning, and to accelerate the City's sustainability program.
- The fiscal year 2022-23 budget incorporates various Council priorities, including traffic/transportation improvement projects, environmental stewardship/sustainability, affordable housing, sustainable tourism, economic diversification, and storm drainage improvement projects.
- The fiscal year 2022-23 budget projects a surplus in the General Fund of approximately $24.0 million. Actual surpluses determined subsequent to year-end are 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.

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BASIC FINANCIAL STATEMENTS

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CITY OF SEDONA, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	$ 83,371,170	$ 21,788,290	$ 105,159,460
Restricted assets	3,832	17,000	20,832
Receivables, net of allowance for uncollectibles			
Taxes, net	4,886,992	-	4,886,992
Accounts, net	666,277	527,522	1,193,799
Accrued interest	47,945	13,186	61,131
Loans	1,764,794	-	1,764,794
Internal balances	(47,051)	47,051	-
Due from other government units	544,267	-	544,267
Prepaid items and other assets	135,224	33,866	169,090
Net pension/OPEB asset	346,417	41,123	387,540
Capital assets			
Nondepreciable	25,824,206	16,138,168	41,962,374
Depreciable (net)	47,309,565	86,111,019	133,420,584
Total assets	164,853,638	124,717,225	289,570,863
Deferred outflows of resources			
Deferred outflows related to pensions/OPEB	3,670,283	287,867	3,958,150
Deferred charges on debt refunding	245,990	34,520	280,510
Total deferred outflows of resources	3,916,273	322,387	4,238,660
Liabilities			
Accounts payable	472,661	687,355	1,160,016
Accrued wages and benefits	434,445	48,995	483,440
Construction contracts payable	3,113,448	38,320	3,151,768
Interest payable	346,371	3,112,303	3,458,674
Matured debt principal payable	920,000	1,377,000	2,297,000
Retainage payable	333,217	72,935	406,152
Due to other government units	98,679	-	98,679
Deposits payable	15,539	17,000	32,539
Unearned revenue	1,705,005	90,737	1,795,742
Noncurrent liabilities			
Due within one year	1,866,711	4,651,128	6,517,839
Due in more than one year	43,231,852	15,642,014	58,873,866
Total liabilities	52,537,928	25,737,787	78,275,715
Deferred inflows related to pensions/OPEB	3,611,055	404,819	4,015,874
Net position			
Net investment in capital assets	55,543,230	88,703,727	144,246,957
Restricted for			
Net pension/OPEB asset	346,417	41,123	387,540
Streets	156,376	-	156,376
Court improvements	53,016	-	53,016
Criminal case processing	52,178	-	52,178
Police Department programs	35,044	-	35,044
Parks improvements	2,674,126	-	2,674,126
Summit CFD improvements	368,170	-	368,170
Fairfield CFD improvements	63,573	-	63,573
Affordable housing - nonspendable	1,764,794	-	1,764,794
Public art	2,817	-	2,817
Unrestricted	51,561,187	10,152,156	61,713,343
Total net position	$ 112,620,928	$ 98,897,006	$ 211,517,934

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, 2022

		Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities							
General government	$ 3,133,732	$ 680,721	$ 55,868	$ 388	$ (2,396,755)	$ -	$ (2,396,755)
Public safety	7,503,428	982,099	197,753	65,553	(6,258,023)	-	(6,258,023)
Public works and streets	8,012,886	11,429	1,111,102	1,804,229	(5,086,126)	-	(5,086,126)
Culture and recreation	2,753,512	190,079	11,575	150,593	(2,401,265)	-	(2,401,265)
Economic development	2,168,093	-	-	-	(2,168,093)	-	(2,168,093)
Health and welfare	982,142	-	11,568	-	(970,574)	-	(970,574)
Public transportation	60,900	-	-	-	(60,900)	-	(60,900)
Housing	312,342	-	221,033	-	(91,309)	-	(91,309)
Interest on long-term debt	534,066	-	-	-	(534,066)	-	(534,066)
Total governmental activities	25,461,101	1,864,328	1,608,899	2,020,763	(19,967,111)	-	(19,967,111)
Business-type activities							
Wastewater	8,578,632	6,280,877	-	669,521	-	(1,628,234)	(1,628,234)
Public transportation	1,128,713	660	49,490	-	-	(1,078,563)	(1,078,563)
Total business-type activities	9,707,345	6,281,537	49,490	669,521	-	(2,706,797)	(2,706,797)
Total primary government	$35,168,446	$8,145,865	$ 1,658,389	$ 2,690,284	(19,967,111)	(2,706,797)	(22,673,908)
		General revenues					
		Taxes					
		Sales taxes			$ 41,626,941	$ -	$ 41,626,941
		Franchise taxes			883,545	-	883,545
		In-lieu taxes			687,098	-	687,098
		Unrestricted state income tax revenue sharing			1,289,131	-	1,289,131
		Unrestricted state sales tax revenue sharing			1,374,160	-	1,374,160
		Unrestricted auto lieu tax revenue sharing			772,587	-	772,587
		Investment earnings (loss)			(1,909,427)	(565,765)	(2,475,192)
		Other revenues			455,738	12,530	468,268
		Transfers			(4,622,651)	4,622,651	-
		Total general revenues and transfers			40,557,122	4,069,416	44,626,538
		Change in net position			20,590,011	1,362,619	21,952,630
		Net position, beginning, as restated			92,030,917	97,534,387	189,565,304
		Net position, ending			$112,620,928	$ 98,897,006	$211,517,934

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

CITY OF SEDONA, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General	Streets	Grants & Donations	Transportation Sales Tax	Capital Improvements	Nonmajor Funds	Total Governmental Funds
Assets							
Cash and investments	$ 35,364,932	$ 1,417,951	$ 1,822,106	$ 7,940,047	$ 32,549,376	$ 3,344,328	$ 82,438,740
Restricted assets	3,832	-	-	-	-	-	3,832
Receivables, net of allowance for uncollectibles							
Taxes, net	4,359,082	-	-	527,910	-	-	4,886,992
Accounts, net	634,364	-	3,000	-	-	28,913	666,277
Accrued interest	27,105	975	1,432	6,334	8,339	3,016	47,201
Loans	1,764,794	-	-	-	-	-	1,764,794
Due from other government units	103,987	101,663	3,097	-	335,520	-	544,267
Prepaid items and other assets	67,053	-	-	27,000	-	-	94,053
Total assets	$ 42,325,149	$ 1,520,589	$ 1,829,635	$ 8,501,291	$ 32,893,235	$ 3,376,257	$ 90,446,156
Liabilities							
Accounts payable	$ 223,732	$ 169,672	$ 561	$ 243	$ 57,892	$ 750	$ 452,850
Accrued wages and benefits	400,797	8,960	275	2,903	132	-	413,067
Construction contracts payable	-	1,041,957	-	-	1,755,499	315,992	3,113,448
Interest payable	261,801	-	-	-	-	84,570	346,371
Matured debt principal payable	920,000	-	-	-	-	-	920,000
Retainage payable	-	-	-	-	249,954	83,263	333,217
Due to other government units	98,679	-	-	-	-	-	98,679
Deposits payable	15,539	-	-	-	-	-	15,539
Unearned revenue	-	-	1,705,005	-	-	-	1,705,005
Total liabilities	1,920,548	1,220,589	1,705,841	3,146	2,063,477	484,575	7,398,176
Deferred Inflows of Resources							
Deferred inflows - unavailable revenue	277,903	-	3,818	-	122,081	-	403,802
Fund Balances (Deficits)							
Nonspendable	1,831,847	-	-	27,000	-	-	1,858,847
Restricted	106,653	-	33,585	-	19,672,269	3,265,062	23,077,569
Committed	1,189,469	-	39,237	8,471,145	-	188,628	9,888,479
Assigned	21,255,873	300,000	53,527	-	11,035,408	-	32,644,808
Unassigned	15,742,856	-	(6,373)	-	-	(562,008)	15,174,475
Total fund balances (deficits)	40,126,698	300,000	119,976	8,498,145	30,707,677	2,891,682	82,644,178
Total liabilities and fund balances (deficits)	$ 42,325,149	$ 1,520,589	$ 1,829,635	$ 8,501,291	$ 32,893,235	$ 3,376,257	$ 90,446,156

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

CITY OF SEDONA, ARIZONA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2022

Total Fund Balances for Governmental Funds	$ 82,644,178
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	108,051,859
Accumulated depreciation and amortization	(35,017,610)
Capital assets used in governmental activities	73,034,249
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	3,544,182
Deferred inflows related to pensions/OPEB	(3,433,986)
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	403,802
Net pension/OPEB assets held in trust for future benefits are not available for City operations and, therefore, are not reported in the funds.	328,429
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	(26,485,000)
Compensated absences	(573,818)
Financed purchases	(1,216,264)
Leases	(2,554,136)
Net pension/OPEB liability	(9,941,595)
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	245,990
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	455,851
Amount attributable to the business-type activities	(47,051)
Net position of governmental activities	$ 112,620,928

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

CITY OF SEDONA, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General	Streets	Grants & Donations	Transportation Sales Tax	Capital Improvements	Nonmajor Funds	Total Governmental Funds
Revenues							
Taxes							
Sales taxes	$ 37,099,307	$ -	$ -	$ 4,595,750	$ -	$ -	$ 41,695,057
Franchise taxes	883,545	-	-	-	-	-	883,545
In-lieu taxes	527,178	-	-	-	-	189,957	717,135
Licenses and permits	469,115	-	-	-	-	-	469,115
Intergovernmental	3,551,233	1,110,759	279,150	-	892,825	-	5,833,967
Charges for services	991,851	-	94	-	-	-	991,945
Fines and forfeitures	272,365	-	-	-	-	-	272,365
Contributions	18,000	-	35,828	-	45,727	-	99,555
Impact fees	-	-	-	-	-	396,257	396,257
Investment earnings (loss)	(1,074,305)	(41,214)	(3,225)	(259,733)	(374,511)	(126,142)	(1,879,130)
Rents	109,148	-	-	-	-	-	109,148
Other revenues	390,741	-	39,583	-	-	-	430,324
Total revenues	43,238,178	1,069,545	351,430	4,336,017	564,041	460,072	50,019,283
Expenditures							
Current							
General government	2,982,746	-	-	-	-	-	2,982,746
Public safety	8,176,852	-	48,516	-	-	-	8,225,368
Public works and streets	2,530,663	2,374,701	5,897	112,949	-	-	5,024,210
Culture and recreation	2,539,365	-	12,062	-	-	-	2,551,427
Economic development	2,175,706	-	-	-	-	-	2,175,706
Health and welfare	993,494	-	-	-	-	-	993,494
Public transportation	60,900	-	-	-	-	-	60,900
Housing	137,597	-	178,430	-	-	-	316,027
Debt service							
Principal retirement	1,245,178	83,145	-	-	-	-	1,328,323
Interest and fiscal charges	385,322	14,976	-	-	-	84,570	484,868
Bond issuance costs	-	-	-	-	420,824	-	420,824
Capital outlay	2,681,396	75,105	77,921	-	8,287,980	2,733,865	13,856,267
Total expenditures	23,909,219	2,547,927	322,826	112,949	8,708,804	2,818,435	38,420,160
Excess (deficiency) of revenues over expenditures	19,328,959	(1,478,382)	28,604	4,223,068	(8,144,763)	(2,358,363)	11,599,123
Other Financing Sources (Uses)							
Revenue bonds issued	-	-	-	-	21,640,000	-	21,640,000
Premium on revenue bonds	-	-	-	-	3,783,903	-	3,783,903
Transfers in	194	195,564	-	-	6,039,592	1,615,090	7,850,440
Transfers out	(8,047,531)	-	-	(2,490,483)	(1,951,656)	(1,220)	(12,490,890)
Financed purchase agreements	370,261	-	-	-	-	-	370,261
Lease agreements	2,387,935	-	-	-	-	-	2,387,935
Sale of capital assets	72,844	-	-	-	-	-	72,844
Total other financing sources (uses)	(5,216,297)	195,564	-	(2,490,483)	29,511,839	1,613,870	23,614,493
Net change in fund balances	14,112,662	(1,282,818)	28,604	1,732,585	21,367,076	(744,493)	35,213,616
Fund balances - beginning of year	26,014,036	1,582,818	91,372	6,765,560	9,340,601	3,636,175	47,430,562
Fund balances - end of year	$ 40,126,698	$ 300,000	$ 119,976	$ 8,498,145	$ 30,707,677	$ 2,891,682	$ 82,644,178

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

CITY OF SEDONA, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net Change in Fund Balances - Total Governmental Funds	$ 35,213,616
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	13,465,132
Less: Current year depreciation and amortization	(3,221,380)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, donations, etc.) is to increase net position.	
Donation of capital assets	991,872
Transfer of capital assets	(9,100)
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, 2021	(784,706)
Unavailable revenue - June 30, 2022	403,802
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	(552,811)
Pension/OPEB contributions	1,883,472
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	(21,640,000)
Issuance of financed purchases	(370,261)
Issuance of leases	(2,387,935)
Premium	(3,783,903)
Principal payments on revenue bonds	920,000
Principal payments on financed purchases	166,719
Principal payments on leases	201,206
Principal payments on installment purchase	40,398
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.	
Decrease in compensated absences	72,686
The internal service fund is used by management to charge the costs of infomation 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.	30,402
Change in net position - governmental activities	$ 20,590,011

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, 2022

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Taxes				
Sales taxes	$ 23,985,700	$ 23,985,700	$ 28,156,541	$ 4,170,841
Bed taxes	7,029,300	7,029,300	8,942,766	1,913,466
Franchise taxes	851,800	851,800	883,545	31,745
In-lieu taxes	525,200	525,200	527,178	1,978
Licenses and permits	334,275	334,275	469,115	134,840
Intergovernmental	3,418,060	3,418,060	3,551,233	133,173
Charges for services	845,560	845,560	991,851	146,291
Fines and forfeitures	232,100	232,100	272,365	40,265
Contributions	-	-	18,000	18,000
Investment earnings (loss)	243,740	243,740	(1,074,305)	(1,318,045)
Rents	39,300	39,300	109,148	69,848
Other revenues	166,150	166,150	390,741	224,591
Total revenues	37,671,185	37,671,185	43,238,178	5,566,993
Budgetary Expenditures				
City Council	72,810	73,211	63,801	9,410
City Manager	4,451,220	4,526,220	3,551,612	974,608
Human Resources	346,660	346,660	278,009	68,651
Financial Services	1,370,025	1,343,225	1,159,823	183,402
City Attorney	674,140	673,920	550,891	123,029
City Clerk	295,385	296,644	296,644	-
Parks and Recreation	870,975	870,975	688,026	182,949
General Services	1,578,785	1,895,960	1,871,926	24,034
Community Development	1,786,240	1,755,707	1,529,132	226,575
Public Works	3,690,330	3,661,758	3,561,731	100,027
Economic Development	332,870	332,870	259,690	73,180
Police	6,135,689	5,885,504	5,676,437	209,067
Other Public Safety	-	26,800	26,778	22
Municipal Court	639,540	673,313	532,263	141,050
Indirect costs	487,230	487,230	612,700	(125,470)
Contingency	2,650,000	2,575,000	-	2,575,000
Debt service	1,034,850	1,242,230	1,242,221	9
Total budgetary expenditures	26,416,749	26,667,227	21,901,684	4,765,543
Excess (deficiency) of revenues over expenditures	11,254,436	11,003,958	21,336,494	10,332,536
Budgetary Other Financing Sources (Uses)				
Transfers in	-	-	194	194
Transfers out	(7,923,170)	(7,923,170)	(8,047,531)	(124,361)
Sale of capital assets	21,300	21,300	72,844	51,544
Total budgetary other financing sources (uses)	(7,901,870)	(7,901,870)	(7,974,493)	(72,623)
Add back equipment replacement reserve	380,400	380,400	380,400	-
Net change in fund balance	3,732,966	3,482,488	13,742,401	10,259,913
Fund balance - beginning of year	23,448,460	23,448,460	26,014,036	2,565,576
Fund balance - end of year	$ 27,181,426	$ 26,930,948	$ 39,756,437	$ 12,825,489

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

CITY OF SEDONA, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STREETS FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental	$ 1,024,000	$ 1,024,000	$ 1,110,759	$ 86,759
Investment earnings (loss)	7,890	7,890	(41,214)	(49,104)
Total revenues	1,031,890	1,031,890	1,069,545	37,655
Expenditures				
Current				
Public works and streets	1,910,760	2,363,796	2,374,701	(10,905)
Debt service	96,100	96,100	98,121	(2,021)
Capital outlay	70,000	93,685	75,105	18,580
Total expenditures	2,076,860	2,553,581	2,547,927	5,654
Excess (deficiency) of revenues over expenditures	(1,044,970)	(1,521,691)	(1,478,382)	43,309
Other Financing Sources				
Transfers in	-	-	195,564	195,564
Net change in fund balance	(1,044,970)	(1,521,691)	(1,282,818)	238,873
Fund balance - beginning of year	1,545,202	1,545,202	1,582,818	37,616
Fund balance - end of year	$ 500,232	$ 23,511	$ 300,000	$ 276,489

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, 2022

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental	$ 2,192,860	$ 2,192,860	$ 279,150	$ (1,913,710)
Charges for services	1,000	1,000	94	(906)
Contributions	16,800	16,800	35,828	19,028
Investment earnings (loss)	730	730	(3,225)	(3,955)
Other revenues	-	-	39,583	39,583
Total revenues	2,211,390	2,211,390	351,430	(1,859,960)
Expenditures				
Current				
General government	2,027,310	1,838,968	-	1,838,968
Public safety	18,500	61,073	48,516	12,557
Public works and streets	-	5,897	5,897	-
Culture and recreation	12,950	12,950	12,062	888
Housing	138,850	178,440	178,430	10
Capital outlay	20,000	91,248	77,921	13,327
Total expenditures	2,217,610	2,188,576	322,826	1,865,750
Net change in fund balance	(6,220)	22,814	28,604	5,790
Fund balance - beginning of year	93,091	93,091	91,372	(1,719)
Fund balance - end of year	$ 86,871	$ 115,905	$ 119,976	$ 4,071

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, 2022

	Budget		
	Original and Final	Actual	Variance with Final Budget
Revenues			
Sales taxes	$ 3,985,700	$ 4,595,750	$ 610,050
Investment earnings (loss)	23,880	(259,733)	(283,613)
Total revenues	4,009,580	4,336,017	326,437
Expenditures			
Current			
Public works and streets	115,800	112,949	2,851
Total expenditures	115,800	112,949	2,851
Excess (deficiency) of revenues over expenditures	3,893,780	4,223,068	329,288
Other Financing Sources (Uses)			
Transfers out	(6,761,843)	(2,490,483)	4,271,360
Total other financing sources (uses)	(6,761,843)	(2,490,483)	4,271,360
Net change in fund balance	(2,868,063)	1,732,585	4,600,648
Fund balance - beginning of year	6,436,734	6,765,560	328,826
Fund balance - end of year	$ 3,568,671	$ 8,498,145	$ 4,929,474

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, 2022

	Business-Type Activities			Governmental Activities
	Wastewater	Public Transit	Total Enterprise Funds	Internal Service Fund
Assets				
Current assets				
Cash and investments	$ 21,055,702	$ 732,588	$ 21,788,290	$ 932,430
Restricted assets	17,000	-	17,000	-
Receivables, net of allowance for uncollectibles				
Accounts, net	527,522	-	527,522	-
Accrued interest	13,186	-	13,186	744
Prepaid items and other assets	13,866	20,000	33,866	41,171
Total current assets	21,627,276	752,588	22,379,864	974,345
Noncurrent assets				
Net pension/OPEB asset	37,017	4,106	41,123	17,988
Capital assets				
Nondepreciable	14,453,034	1,685,134	16,138,168	-
Depreciable (net)	85,275,271	835,748	86,111,019	99,522
Total capital assets	99,728,305	2,520,882	102,249,187	99,522
Total noncurrent assets	99,765,322	2,524,988	102,290,310	117,510
Total assets	121,392,598	3,277,576	124,670,174	1,091,855
Deferred outflows of resources				
Deferred outflows related to pensions/OPEB	259,351	28,516	287,867	126,101
Deferred charges on debt refunding	34,520	-	34,520	-
Total deferred outflows of resources	293,871	28,516	322,387	126,101
Liabilities				
Current liabilities				
Accounts payable	86,498	600,857	687,355	19,811
Accrued wages and benefits	44,089	4,906	48,995	21,378
Construction contracts payable	38,320	-	38,320	-
Interest payable	3,112,303	-	3,112,303	-
Matured debt principal payable	1,377,000	-	1,377,000	-
Retainage payable	72,935	-	72,935	-
Compensated absences payable, current	52,226	-	52,226	25,806
Bonds payable, current	1,315,000	-	1,315,000	-
Capital appreciation bond interest, current	3,120,000	-	3,120,000	-
Financed purchases payable, current	-	138,603	138,603	-
Leases payable, current	19,242	6,057	25,299	15,213
Deposits payable	17,000	-	17,000	-
Unearned revenue	90,737	-	90,737	-
Total current liabilities	9,345,350	750,423	10,095,773	82,208
Noncurrent liabilities				
Compensated absences payable	18,328	5,733	24,061	19,275
Bonds payable	9,773,000	-	9,773,000	-
Capital appreciation bond interest	2,540,018	-	2,540,018	-
Financed purchases payable	-	571,522	571,522	-
Leases payable	56,083	1,589,218	1,645,301	7,619
Net pension/OPEB liability	979,463	108,649	1,088,112	475,934
Total noncurrent liabilities	13,366,892	2,275,122	15,642,014	502,828
Total liabilities	22,712,242	3,025,545	25,737,787	585,036
Deferred inflows related to pensions/OPEB	364,399	40,420	404,819	177,069
Net position				
Net investment in capital assets	88,488,245	215,482	88,703,727	76,690
Restricted for net pension/OPEB asset	37,017	4,106	41,123	17,988
Unrestricted	10,084,566	20,539	10,105,105	361,173
Total net position	98,609,828	240,127	98,849,955	$ 455,851
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	46,971	80	47,051	
Net position of business-type activities (page 33)	$ 98,656,799	$ 240,207	$ 98,897,006	

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, 2022

	Business-Type Activities			Governmental Activities
	Wastewater	Public Transit	Total Enterprise Funds	Internal Service Fund
Operating Revenues				
Charges for services	$ 6,245,944	$ 660	$ 6,246,604	$ 1,736,653
Other revenues	47,463	-	47,463	-
Total operating revenues	6,293,407	660	6,294,067	1,736,653
Operating Expenses				
Salaries and employee benefits	1,408,947	263,693	1,672,640	607,645
Supplies and other	2,470,908	795,493	3,266,401	1,028,047
Depreciation and amortization	3,852,972	59,177	3,912,149	64,061
Total operating expenses	7,732,827	1,118,363	8,851,190	1,699,753
Operating income (loss)	(1,439,420)	(1,117,703)	(2,557,123)	36,900
Nonoperating Revenues (Expenses)				
Intergovernmental	-	49,490	49,490	-
Investment earnings (loss)	(565,845)	80	(565,765)	(30,335)
Interest expense	(729,437)	(10,430)	(739,867)	(50)
Bond issuance costs	(119,300)	-	(119,300)	-
Total nonoperating revenues (expenses)	(1,414,582)	39,140	(1,375,442)	(30,385)
Income before capital contributions and transfers	(2,854,002)	(1,078,563)	(3,932,565)	6,515
Capital contributions - capacity fees	626,267	-	626,267	-
Capital contributions - developer-contributed sewer lines	52,354	-	52,354	-
Transfers in	3,300,000	1,313,551	4,613,551	26,899
Change in net position (a)	1,124,619	234,988	1,359,607	33,414
Net position, beginning of year, as restated	97,485,209	5,139	97,490,348	422,437
Net position, end of year	$ 98,609,828	$ 240,127	$ 98,849,955	$ 455,851
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise fund (b)	2,932	80	3,012	
Changes in net position of business-type activities (a) + (b) (page 34)	$ 1,127,551	$ 235,068	$ 1,362,619	

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, 2022

	Business-Type Activities			Governmental Activities
	Wastewater	Public Transit	Total Enterprise Funds	Internal Service Fund
Cash flows from operating activities				
Receipts from customers	$ 6,266,163	$ 660	$ 6,266,823	$ 1,003
Receipts from other funds for goods and services provided	35,940	-	35,940	1,735,650
Receipt of customer deposits	5,500	-	5,500	-
Payments to suppliers and service providers	(1,805,674)	(220,439)	(2,026,113)	(880,878)
Payments for employee wages and benefits	(1,488,112)	(135,520)	(1,623,632)	(634,675)
Payments to other funds for services provided	(876,080)	-	(876,080)	(129,980)
Return of customer deposits	(6,500)	-	(6,500)	-
Net cash provided by (used for) operating activities	2,131,237	(355,299)	1,775,938	91,120
Cash flows from noncapital financing activities				
Noncapital grant receipts	-	68,809	68,809	-
Repayment of interfund borrowing	-	(9,464)	(9,464)	-
Transfers from other funds	3,300,000	1,313,551	4,613,551	26,899
Net cash provided by (used for) noncapital financing activities	3,300,000	1,372,896	4,672,896	26,899
Cash flows from capital and related financing activities				
Proceeds from refunding bonds	8,890,000	-	8,890,000	-
Payment to refunded bond escrow agent	(8,769,995)	-	(8,769,995)	-
Bond issuance costs	(119,300)	-	(119,300)	-
Proceeds from financed purchase	-	710,125	710,125	-
Capacity fees	626,267	-	626,267	-
Acquisition and construction of capital assets	(2,084,383)	(980,160)	(3,064,543)	(34,191)
Principal paid on capital debt	(1,343,709)	(4,624)	(1,348,333)	(15,180)
Interest paid on capital debt	(3,222,612)	(10,430)	(3,233,042)	(50)
Net cash provided by (used for) capital and related financing activities	(6,023,732)	(285,089)	(6,308,821)	(49,421)
Cash flows from investing activities				
Interest received (lost) on investments	(564,756)	80	(564,676)	(30,215)
Net change in cash and cash equivalents	(1,157,251)	732,588	(424,663)	38,383
Cash and cash equivalents - beginning of year (including $18,000 for the Wastewater Fund reported in restricted accounts)	22,229,953	-	22,229,953	894,047
Cash and cash equivalents - end of year (including $17,000 for the Wastewater Fund reported in restricted accounts)	$ 21,072,702	$ 732,588	$ 21,805,290	$ 932,430
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	$ (1,439,420)	$ (1,117,703)	$ (2,557,123)	$ 36,900
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Depreciation expense	3,852,972	59,177	3,912,149	64,061
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable, net	817	-	817	-
Prepaid items	(12,763)	(19,750)	(32,513)	25,582
Net pension/OPEB asset	(31,339)	(4,106)	(35,445)	(15,271)
Deferred outflows of resources related to pensions/OPEB	9,948	(23,377)	(13,429)	3,506
Accounts payable	(198,083)	594,804	396,721	(8,393)
Accrued wages and benefits	9,008	854	9,862	3,214
Deposits payable	(1,000)	-	(1,000)	-
Unearned revenue	7,879	-	7,879	-
Compensated absences	(22,965)	5,733	(17,232)	(7,513)
Net pension/OPEB liability	(390,130)	108,649	(281,481)	(179,381)
Deferred inflows of resources related to pensions/OPEB	346,313	40,420	386,733	168,415
Net cash provided by (used for) operating activities	$ 2,131,237	$ (355,299)	$ 1,775,938	$ 91,120
Noncash investing, capital, and noncapital financing activities				
Amortization of bond premiums	$ (430,416)	$ -	$ (430,416)	$ -
Amortization of deferred amounts on refunding	55,420	-	55,420	-
Amortization of capital appreciation bonds	618,411	-	618,411	-
Contributions of capital assets	52,354	-	52,354	-
Lease inception	62,186	1,599,899	1,662,085	-

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

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, 2022, the City implemented the provisions of GASB Statement No. 87, *Leases*, as amended, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result, the City's financial statements have been modified to reflect the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the contract payment provisions.

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.

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 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.

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.

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 leased assets, are reported as expenditures in governmental funds. Issuances of long-term debt and acquisitions under financed purchases and lease contracts 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 and Wastewater Fund for customer deposits.

3. Receivables

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

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:

Capital Asset Classes	Useful Life (Years)
Buildings	30 Years
Improvements other than Buildings	6 to 50 Years
Streets, Sidewalks, and Other Infrastructure	20 to 50 Years
Wastewater Plant	6 to 50 Years
Wastewater Lines	6 to 50 Years
Machinery, Equipment, and Vehicles	3 to 6 Years
Public Art	30 Years
Right-to-Use Lease Assets:	
Buildings	30 Years
Improvements other than Buildings	6 to 50 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.

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 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 2022, the City paid for compensated absences as follows: 81% from the General Fund, 14% from major funds, and 5% from other funds.

8. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary type statement of net position. Bond premiums are amortized over the life of the bonds using the 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.

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

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.

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.

1. Summary of Significant Accounting Policies (Continued)

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

11. Net Position (Continued)

- 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.

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.

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)

As previously mentioned, sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The City has also established a fund balance policy as noted below:

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

2. Public hearings are conducted to obtain taxpayer comment.

3. Prior to the third Monday in August, the expenditure limitation for the City is legally enacted through passage of a resolution. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).

2. Stewardship, Compliance, and Accountability (Continued)

A. Budgetary Information (Continued)

4. Expenditures may not legally exceed the expenditure limitation, described above, of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds, which is the legal level of budgetary control for these funds. The City Manager may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity.

5. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, and Capital Projects Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

6. Appropriations in all funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances technically lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and become part of the subsequent year's budget, and the encumbrances are automatically reestablished in the next year.

The City is subject to the State of Arizona's spending limitation law for cities and towns. This law does not permit the City to spend more than budgeted revenues plus the carryover unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The City complied with this law during the year.

3. Deposits and Investments

Arizona Revised Statutes authorize the City to invest public monies in the State Treasurer's local government investment pools, the County Treasurer's investment pool, obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the City's investments.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that, in the event of a bank's failure, the City's deposits may not be returned to the City. The City does not have a deposit policy for custodial credit risk. At year-end, the carrying amount of the City's deposits was $14,779,811 and the bank balance was $15,375,266. At year-end, $750,000 of the City's deposits was covered by federal depository insurance and the remaining $14,625,266 was collateralized by the Arizona State Treasurer's pooled collateral program.

3. Deposits and Investments (Continued)

Total cash and investments at fair value as reported on June 30, 2022, are as follows:

Deposits	
Cash on hand	$ 178,283
Cash in bank	14,779,811
Investments	
State Treasurer's investment pool	38,663,903
Negotiable certificates of deposit	1,922,073
Money market funds	28,364,815
U.S. agency securities	21,271,407
Total deposits and investments	105,180,292
Restricted assets	(20,832)
Total unrestricted deposits and investments	$105,159,460

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 maturities (in years)		
Investment Type	Fair Value	Less than 1	1-3	4-5
U.S. agency securities	$21,271,407	$ -	$1,971,690	$19,299,717
Money market funds	28,364,815	28,364,815	-	-
Negotiable certificates of deposit	1,922,073	1,236,391	234,995	450,687
State Treasurer's investment pools	38,663,903	38,663,903	-	-
	$90,222,198	$68,265,109	$2,206,685	$19,750,404

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

3. Deposits and Investments (Continued)

Investment Type	Rating	Rating Agency	Fair Value
U.S. agency securities	AA+	Moody's	$21,271,407
Money market funds	AAAm	S&P	28,364,815
Negotiable certificates of deposit	N/R	N/R	1,922,073
State Treasurer's Investment Pool 5	AAAf/S1+	S&P	3,054,538
State Treasurer's Investment Pool 7	N/R	N/R	40,604
State Treasurer's Investment Pool 500	N/R	N/R	35,568,761
			$90,222,198

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the City's investment in a single issuer. The City policy allows a maximum of 5% of the fair value of the portfolio be invested in debt issued by any single entity. The City places no limit on the amount the City may invest in debt backed by the United States Treasury. The City's investment percentages by investment type are shown below:

Investment Type	Fair Value	Percent of City Investments
U.S. agency securities	$21,271,407	23.58%
Money market funds	28,364,815	31.44%
Negotiable certificates of deposit	1,922,073	2.13%
State Treasurer's investment pools	38,663,903	42.85%
Total investments	$90,222,198	100.00%

Fair Value Measurements – The City uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures. Investments valued using the net asset value (NAV) per share (or its equivalent) are City investments in the Arizona State Treasurer's Investment Pool (LGIP) and unlike more traditional investments, generally do not have readily obtainable fair values. Investments valued at NAV utilized net asset values as provided by State of Arizona Treasurer's Office on June 30, 2022.

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

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

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

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, 2022:

		Fair Value Measurements Using		
Investments by Fair Value Level	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Observable Inputs (Level III)
Debt Securities				
U.S. agency securities	$21,271,407	$ -	$21,271,407	$ -
Negotiable certificates of deposit	1,922,073	-	1,922,073	-
Total investments by fair value level	23,193,480	$ -	$23,193,480	$ -
Investments Measured at Net Asset Value				
State Treasurer's investment pools	38,663,903			
Total investments measured at fair value	61,857,383			
Investments Measured at Amortized Cost				
Money market funds	28,364,815			
Total investments	$90,222,198			

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.

4. Receivables

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
General Fund		
Sales tax receivable	$ 71,695	$ -
Court fines receivable	205,763	-
Federal grant reimbursements receivable	445	-
Capital Improvements Fund		
State grant reimbursements receivable	122,081	-
Grants & Donations Fund		
Grant advances prior to meeting all eligibility requirements	-	1,705,005
Federal grant reimbursements receivable	818	-
Miscellaneous receivable	3,000	-
	$403,802	$1,705,005

Approximately $154,000 of the court fines receivable and $1,764,794 of the loans receivable reported in the General Fund are not expected to be collected within the next year.

The loans receivable includes $1,739,794 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 $25,000 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 $25,000 per household and include eligibility requirements such as employment in city limits and first-time homebuyer within the Sedona area. Repayment is based on an equity-share formula to reinvestment in future down-payment assistance funding. The City Council has authorized $400,000 for an initial investment in the down-payment assistance program.

5. Capital Assets

A. Governmental Activities

Capital asset activity for governmental activities for the year ended June 30, 2022, was as follows:

	Balance as of June 30, 2021 (Restated)	Additions	Deductions	Balance as of June 30, 2022
Capital assets, not being depreciated				
Land	$ 12,946,198	$ 1,099,575	$ (150,802)	$ 13,894,971
Construction in progress	8,382,023	10,804,609	(7,257,397)	11,929,235
Total capital assets, not being depreciated	21,328,221	11,904,184	(7,408,199)	25,824,206
Capital assets, being depreciated/amortized				
Land improvements	11,356,494	244,440	-	11,600,934
Building and improvements	9,488,200	49,744	-	9,537,944
Machinery, equipment, and vehicles	5,651,190	319,429	(131,708)	5,838,911
Infrastructure	46,380,008	6,984,562	-	53,364,570
Right-to-use lease assets				
Land improvements	128,992	-	-	128,992
Building and improvements	-	2,277,233	-	2,277,233
Machinery equipment, and vehicles	351,835	110,702	-	462,537
Total capital assets, being depreciated/amortized	73,356,719	9,986,110	(131,708)	83,211,121
Less accumulated depreciation/amortization for				
Land improvements	(3,485,072)	(318,865)	-	(3,803,937)
Building and improvements	(5,010,054)	(357,808)	-	(5,367,862)
Machinery, equipment, and vehicles	(4,293,394)	(417,189)	131,708	(4,578,875)
Infrastructure	(19,880,846)	(1,976,701)	-	(21,857,547)
Right-to-use lease assets				
Land improvements	-	(21,724)	-	(21,724)
Building and improvements	-	(100,212)	-	(100,212)
Machinery, equipment, and vehicles	(78,457)	(92,942)	-	(171,399)
Total accumulated depreciation/amortization	(32,747,823)	(3,285,441)	131,708	(35,901,556)
Total capital assets, being depreciated/amortized, net	40,608,896	6,700,669	-	47,309,565
Governmental activities capital assets, net	$ 61,937,117	$18,604,853	$(7,408,199)	$ 73,133,771

5. Capital Assets (Continued)

B. Business Type Activities

Capital asset activity for business type activities for the year ended June 30, 2022, was as follows:

	Balance as of June 30, 2021 (Restated)	Additions	Deductions	Balance as of June 30, 2022
Capital assets, not being depreciated/amortized				
Land	$ 11,159,413	$ -	$ -	$ 11,159,413
Construction in progress	1,771,751	1,791,905	(184,800)	3,378,856
Right-to-use lease assets				
Land	-	1,599,899	-	1,599,899
Total capital assets, not being depreciated/amortized	12,931,164	3,391,804	(184,800)	16,138,168
Capital assets, being depreciated/amortized				
Land improvements	71,407	-	-	71,407
Building and improvements	-	13,077	-	13,077
Wastewater system	144,229,405	279,854	-	144,509,259
Machinery, equipment, and vehicles	6,085,428	731,913	(47,136)	6,770,205
Infrastructure	-	184,800	-	184,800
Right-to-use lease assets				
Machinery, equipment, and vehicles	36,484	62,186	-	98,670
Total capital assets, being depreciated/amortized	150,422,724	1,271,830	(47,136)	151,647,418
Less accumulated depreciation/amortization for				
Land improvements	(2,684)	(1,691)	-	(4,375)
Building and improvements	-	(4,897)	-	(4,897)
Wastewater system	(56,176,676)	(3,616,474)	-	(59,791,150)
Machinery, equipment, and vehicles	(5,481,888)	(277,263)	47,136	(5,712,015)
Right-to-use lease assets				
Machinery, equipment, and vehicles	(10,138)	(13,824)	-	(23,962)
Total accumulated depreciation/amortization	(61,671,386)	(3,912,149)	47,136	(65,536,399)
Total capital assets, being depreciated/amortized, net	88,751,338	(2,640,319)	-	86,111,019
Business type activities capital assets, net	$101,682,502	$ 751,485	$(184,800)	$102,249,187

C. Depreciation/Amortization Expense

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

Governmental Activities	
General government	$ 395,754
Public safety	257,838
Public works and streets	2,383,655
Culture and recreation	184,133
Internal service fund	64,061
Total governmental activities depreciation/amortization expense	$3,285,441
Business-type Activities	
Public Transportation	$ 59,177
Wastewater	3,852,972
Total business-type activities depreciation/amortization expense	$3,912,149

6. Construction Commitments

The City has active construction projects on June 30, 2022. At fiscal year end, the City's commitments with contractors were as follows:

Project	Spent-to-Date	Remaining Commitment
Governmental activities		
Chapel Road shared-use path	$ 397,315	$ 504,759
Court relocation/facility remodel	91,876	318,000
Forest Road connection	4,110,929	9,522,451
Police facility remodel/expansion	1,956,853	291,590
Piñon Drive shared-use path	31,367	365,894
Shelby Drive/Sunset Drive improvements	2,181,197	33,538
Total governmental activities	$8,769,537	$11,036,232
Business-type activities		
State Route 179 sewer main replacement	$2,915,319	$79,300
Major lift station upgrades	290,529	11,641
Total business-type activities	$3,205,848	$90,941

7. Interfund Receivables, Payables, and Transfers

Interfund transfers for the year ended June 30, 2022 consisted of the following:

	Transfers from					
Transfers to	General Fund	Transportation Sales Tax Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Governmental Activities	Total
General Fund	$ -	$ -	$ -	$ 194	$ -	$ 194
Streets Fund	195,564	-	-	-	-	195,564
Capital Improvements Fund	4,354,921	1,683,645	-	1,026	-	6,039,592
Nonmajor Governmental Funds	-	-	1,615,090	-	-	1,615,090
Wastewater Fund	3,300,000	-	-	-	-	3,300,000
Public Transit Fund	170,147	806,838	336,566	-	-	1,313,551
Internal Service Fund	26,899	-	-	-	-	26,899
Business-Type Activities	-	-	-	-	9,100	9,100
Totals	$8,047,531	$2,490,483	$1,951,656	$ 1,220	$ 9,100	$12,499,990

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 ($3,300,000) and the Streets Fund ($195,564), (3) move General Fund resources to the Public Transit Fund to cover costs for the Verde Shuttle system ($170,147), (4) fund the Art in Public Places Fund, a nonmajor governmental fund, with 1% of construction projects funded with unrestricted monies ($26,950), (5) move Transportation Sales Tax Fund revenues to the Public Transit Fund to cover operating costs and grant matches ($782,744), and (6) move paid parking revenues to the Internal Service Fund for information technology costs associated with the paid parking program ($26,899).

Further, during the year ended June 30, 2022, the City made the following one-time transfers:

- A transfer of surplus balances from the General Fund to the Capital Improvements Fund to be used for strategic land acquisition ($1,854,921).
- A transfer of Transportation Sales Tax Fund revenues to the Capital Improvements Fund ($1,683,645) and the Public Transit Fund ($24,094) to be used for transportation project expenditures incurred during the year.

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

- A transfer of bond proceeds from the Capital Improvements Fund to the Development Impact Fees Fund, a nonmajor governmental fund, ($1,588,140) and the Public Transit Fund ($336,566) to cover projects in the City's Transportation Master Plan.
- Close-out of miscellaneous accounts in the nonmajor governmental funds.
- A transfer of a capital asset from governmental activities to business-type activities.

8. Financed Purchases

The City has acquired vehicles, equipment, and building improvements under contract agreements at a total purchase price of $2,184,408. The following schedule details debt service requirements to maturity for the City's financed purchases at June 30, 2022:

	Governmental Activities		Business-Type Activities	
Year ending June 30	Principal	Interest	Principal	Interest
2023	$ 244,812	$ 30,200	$138,603	$ 12,809
2024	251,030	24,735	139,934	11,145
2025	257,421	19,113	141,612	8,416
2026	198,437	13,329	143,681	5,655
2027	111,687	8,584	146,295	2,853
2028 to 2031	152,878	13,956	-	-
Totals	$1,216,264	$109,918	$710,125	$40,877

9. Leases

In January 2022, the City entered into a 6-month lease, with two 6-month extension options, as lessee for use of property and parking area as a trailhead shuttle parking lot. An initial lease liability was recorded in the amount of $1,599,899. As of June 30, 2022, the value of the lease liability is $1,595,275. The City is required to make monthly fixed payments of $1,334. The lease has an imputed interest rate of 0.6%. The agreement includes a purchase option allowing the City to have the first option to purchase the property before the end of the lease term or any extension terms. The City paid the $10,000 option fee which will be credited towards purchase of the property.

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, 2022, the value of the lease liability is $2,178,542. 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, 2022, the value of the lease liability is $17,099. The City is required to make quarterly fixed payments of $1,153. The lease has an imputed interest rate of 0.6%.

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. It was deemed reasonably certain that the lease would not be terminated before the next automatic 10-year renewal beginning May 2023. A lease liability was recorded as of July 1, 2021 in the amount of $98,146. As of June 30, 2022, the value of the lease liability is $91,311. 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 $7,477 was made. The lease has an imputed interest rate of 1.2%.

In January 2020, the City entered into a 3-year lease as lessee for use of privately-owned parking as public parking. A lease liability was recorded as of July 1, 2021 in the amount of $12,658. As of June 30, 2022, the value of the lease liability is $6,329. The City is required to make annual fixed payments of $6,343. The lease has an imputed interest rate of 0.2%.

In January 2019, the City entered into a 5-year lease as lessee for eleven copy machines. A lease liability was recorded as of July 1, 2021 in the amount of $41,318. As of June 30, 2022, the value of the lease liability is $24,817. 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 April 2018, the City entered into a 2-year lease, with automatic 1-year renewals, as lessee for use of privately-owned parking as public parking. A lease liability was recorded as of July 1, 2021 in the amount of $5,158. As of June 30, 2022, the value of the lease liability is $1,475. The City is required to make quarterly fixed payments of $738. The lease has an imputed interest rate of 0.2%.

In April 2016, the City entered into a 2-year lease, with automatic 1-year renewals, as lessee for use of privately-owned parking as public parking. A lease liability was recorded as of July 1, 2021 in the amount of $6,299. As of June 30, 2022, the value of the lease liability is $2,697. The City is required to make quarterly fixed payments of $900. 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. A lease liability was recorded as of July 1, 2021 in the amount of $6,741. As of June 30, 2022, the value of the lease liability is $1,124. 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 2022, the City entered into 5-year leases as lessee for fifteen vehicles. A total lease liability as of July 1, 2021 for existing leases and as of the inception date for new leases during the year was recorded in the amount of $412,134. As of June 30, 2022, the value of the total lease liability is $328,899. The City is required to make monthly fixed payments totaling $9,533. The leases have imputed interest rates ranging from 4.7% to 8.8%.

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

	Governmental Activities	Business Activities
Land and improvements	$ 128,992	$1,599,899
Buildings and improvements	2,277,233	-
Machinery, equipment, and vehicles	462,537	98,670
Less: accumulated depreciation	(293,335)	(23,962)
Carrying value	$2,575,427	$1,674,877

9. Leases (Continued)

The following schedule details minimum lease payments to maturity for the City's leases payable at June 30, 2022:

	Governmental Activities		Business-Type Activities	
Year ending June 30	Principal	Interest	Principal	Interest
2023	$ 213,568	$ 41,110	$ 25,299	$12,890
2024	211,111	39,259	1,608,803	4,022
2025	175,331	32,908	15,667	2,044
2026	154,862	29,091	13,388	1,125
2027	126,829	26,126	7,443	332
2028 to 2032	634,508	102,889	-	-
2033 to 2037	645,106	55,244	-	-
2037 to 2071	415,654	9,846	-	-
Total	$2,576,968	$336,473	$1,670,600	$20,413

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, 2022, the City recognized expenses of $13,154 for variable lease payments not included in the measurement of the lease liabilities.

10. Bonds Payable

The following is a list of revenue obligation bonds outstanding as of June 30, 2022.

Description	Original Issue Amount	Interest Rates	Maturity Dates	Outstanding Principal
Governmental activities				
Revenue bonds				
Excise Tax Revenue Refunding Bonds, Second Series 2015	$ 8,030,000	1.94%	7/1/23-27	$ 4,845,000
Excise Tax Revenue Bonds, Series 2022	21,640,000	4.0%-5.0%	7/1/27-42	21,640,000
Total governmental activities	29,670,000			26,485,000
Business type activities				
Revenue bonds				
Excise Tax Revenue Bonds, Series 1998	41,035,000	5.24%	7/1/23-24	2,320,000
Excise Tax Revenue Refunding Bonds, Series 2021-2	8,890,000	1.16%	7/1/23-26	8,768,000
Total business-type activities	49,925,000			11,088,000
Total revenue bonds	$79,595,000			$37,573,000

During the year ended June 30, 2022, the City issued $21,640,000 in excise tax revenue bonds, with interest rates ranging from 4.0% to 5.0%. The net proceeds were $25,000,000 (including a $3,783,903 premium and after payment of $420,824 in underwriting fees, insurance, and other issuance costs). The bonds will be used to finance an extension of Forest Road, an underpass and parking garage projects or other projects included in the Transportation Master Plan of the City.

10. Bonds Payable (Continued)

During the year ended June 30, 2022, the City also issued bonds to refund the full amounts of the Excise Tax Revenue Refunding Bonds, Series 2012, of $8,395,000. The bonds to be refunded have a coupon rate of 4.5% and were callable on July 1, 2022 at par or 100%. Federal tax law did not allow tax-exempt refundings more than 90 days before a call date. A convertible or "cinderella" refunding was issued with a taxable interest rate up until 90 days before the call date and then converted to a tax-exempt interest rate for the life of the debt. The tax-exempt and taxable rates were 1.16% and 1.41%, respectively. The net proceeds of $8,769,995 (after payment of $119,300 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the Excise Tax Revenue Refunding Bonds, Series 2012 are considered defeased and the liability for those bonds has been removed from the statement of net position. The City placed $8,769,995 of refunding bond proceeds in an irrevocable trust to provide resources for all future debt service payments of $10,099,150 on the defeased debt. The reacquisition price exceeded the net carrying amount of the old debt by $34,520. This amount is reported as a deferred outflow of resources and amortized over the remaining life of the refunding debt. The refunding reduced total debt service payments by $753,360 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $731,605.

The City has pledged future excise taxes to repay the excise tax revenue obligations as listed above. Proceeds of the bonds were used for various construction improvements and to refund and refinance various bonds and certificates of participation. The bonds are payable solely from excise taxes. Maturity dates are from July 1, 2022 to July 1, 2042. The future excise tax revenues pledged, which include unrestricted sales tax, franchise tax, vehicle license fees, unrestricted fines and forfeitures and permits, will repay $37,573,000 in excise tax revenue refunding bonds, plus $19,462,704 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 $41,602,158. In the current year, total principal paid was $2,297,000 and interest paid was $3,272,195.

Debt service requirements on bonds payable on June 30, 2022 are as follows:

	Governmental Activities		Business-type Activities	
Year ending June 30,	Principal	Interest	Principal	Interest
2023	$ 935,000	$ 1,326,443	$ 1,315,000	$3,221,709
2024	945,000	1,017,854	1,257,000	3,280,259
2025	970,000	999,521	4,233,000	98,785
2026	990,000	980,703	4,283,000	49,683
2027	1,945,000	961,497	-	-
2028 to 2032	5,450,000	3,958,750	-	-
2033 to 2037	6,875,000	2,536,500	-	-
2037 to 2042	8,375,000	1,031,000	-	-
Totals	$26,485,000	$12,812,268	$11,088,000	$6,650,436

11. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended June 30, 2022, are as follows:

	Balance, June 30, 2021 (Restated)	Additions	Reductions	Balance, June 30, 2022	Due Within One Year
Governmental activities					
Bonds payable					
Revenue bonds	$ 5,765,000	$21,640,000	$ (920,000)	$26,485,000	$ 935,000
Premium	-	3,783,903		3,783,903	-
Total bonds payable	5,765,000	25,423,903	(920,000)	30,268,903	935,000
Other liabilities					
Compensated absences	699,098	475,474	(555,673)	618,899	473,331
Installment purchases (direct borrowings)	40,398	-	(40,398)	-	-
Finance purchases	1,012,722	370,261	(166,719)	1,216,264	244,812
Leases	405,419	2,387,935	(216,386)	2,576,968	213,568
Net pension/OPEB liability	15,166,270	-	(4,748,741)	10,417,529	-
Total other liabilities	17,323,907	3,233,670	(5,727,917)	14,829,660	931,711
Total governmental activities	$23,088,907	$28,657,573	$(6,647,917)	$45,098,563	$1,866,711

	Balance, June 30, 2021 (Restated)	Additions	Reductions	Balance, June 30, 2022	Due Within One Year
Business-Type activities					
Bonds payable and related interest					
Revenue bonds	$11,970,000	$8,890,000	$(9,772,000)	$11,088,000	$1,315,000
Capital appreciation bond interest	8,096,607	618,411	(3,055,000)	5,660,018	3,120,000
Premiums	430,416	-	(430,416)	-	-
Total bonds payable and related interest	20,497,023	9,508,411	(13,257,416)	16,748,018	4,435,000
Other liabilities:					
Compensated absences	93,519	47,033	(64,265)	76,287	52,226
Financed purchases	-	710,125	-	710,125	138,603
Leases	26,848	1,662,085	(18,333)	1,670,600	25,299
Net pension/OPEB liability	1,369,593	-	(281,481)	1,088,112	-
Total other liabilities	1,489,960	2,419,243	(364,079)	3,545,124	216,128
Total business-type activities	$21,986,983	$11,927,654	$(13,621,495)	$20,293,142	$4,651,128

12. Fund Balance

The following represents the classifications of the City's fund balance for fiscal year ended June 30, 2022:

	General Fund	Streets Fund	Grants & Donations Fund	Transportation Sales Tax Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Totals
Nonspendable							
Long-term loans receivable	$ 1,764,794	$ -	$ -	$ -	$ -	$ -	$ 1,764,794
Prepaid items	67,053	-	-	27,000	-	-	94,053
Restricted							
Court improvements	53,016	-	-	-	-	-	53,016
Criminal case processing	52,178	-	-	-	-	-	52,178
Streets	-	-	-	-	-	156,376	156,376
Transportation projects	-	-	-	-	19,672,269	-	19,672,269
Parks capital improvements	-	-	-	-	-	2,674,126	2,674,126
Summit CFD capital improvements	-	-	-	-	-	368,170	368,170
Fairfield CFD capital improvements	-	-	-	-	-	63,573	63,573
Police Department programs	1,459	-	33,585	-	-	-	35,044
Public art	-	-	-	-	-	2,817	2,817
Committed							
Court enhancements	189,469	-	-	-	-	-	189,469
Transportation projects	-	-	-	8,471,145	-	-	8,471,145
Public art	-	-	-	-	-	188,628	188,658
PSPRS contributions	1,000,000	-	31,326	-	-	-	1,031,326
Military park	-	-	7,911	-	-	-	7,911
Assigned							
Affordable housing	3,480,041	-	-	-	-	-	3,480,041
Public transit	5,000,000	-	-	-	-	-	5,000,000
Real estate/land acquisition	-	-	-	-	1,854,921	-	1,854,921
Equipment replacement	1,348,009	-	-	-	-	-	1,348,009
Budget carryovers	143,660	-	-	-	-	-	143,660
Uptown improvements	260,053	-	-	-	-	-	260,053
Streets	-	300,000	-	-	-	-	300,000
Capital improvements	11,024,110	-	-	-	9,180,487	-	20,204,597
Special events	-	-	16,615	-	-	-	16,615
Police Department programs	-	-	23,484	-	-	-	23,484
Employee programs	-	-	2,288	-	-	-	2,288
Park improvements	-	-	2,835	-	-	-	2,835
Police Explorers program	-	-	8,305	-	-	-	8,305
Unassigned	15,742,856	-	(6,373)	-	-	(562,008)	15,174,475
Totals	$40,126,698	$300,000	$119,976	$8,498,145	$30,707,677	$2,891,682	$82,644,178

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 $8,000,000 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.

13. Risk Management (Continued)

The City joined the Arizona Public Employers Health Pool (APEHP) for risks of loss related to employee health and accident claims. APEHP is a public entity risk pool currently operating as a common risk management and insurance program for cities and towns in the State. The City pays monthly premiums to APEHP for its employee health and accident insurance coverage. The agreement provides that APEHP will be self-sustaining through members' premiums and will reinsure through commercial companies for claims in excess of specified amounts for each insured event.

The City joined the Arizona Municipal Workers' Compensation Pool (AMWCP) together with other governments in the state for risks of loss related to workers' compensation claims. AMWCP is a public entity risk pool currently operating as a common risk management and insurance program for cities and towns in the State. The City is responsible for paying a premium, based on an experience rating formula that allocates pool expenditures and liabilities among members.

14. Retirement Plans

The City contributes to the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS) for police officers. The plans are component units of the State of Arizona.

On June 30, 2022, the City reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of net position and statement of activities	Governmental activities	Business-type activities	Total
Net pension and OPEB asset	$ 346,417	$ 41,123	$ 387,540
Net pension and OPEB liability	10,417,529	1,088,112	11,505,641
Deferred outflows of resources related to pensions and OPEB	3,670,283	287,867	3,958,150
Deferred inflows of resources related to pensions and OPEB	3,611,055	404,819	4,015,874
Pension and OPEB expense	582,715	176,285	759,000

The City's accrued payroll and employee benefits includes $68,265 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2022. Also, the City reported $1,883,472 of pension and OPEB contributions as expenditures in the governmental funds and $119,904 of pension and OPEB contributions as expenses in the enterprise funds and $52,636 of pension and OPEB contributions as expenses in the internal service fund related to all plans to which it contributes.

A. Arizona State Retirement System

Plan Description – City employees not covered by the other pension plan described on the following pages participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit (OPEB); and a cost-sharing, multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

14. Retirement Plans (Continued)

A. Arizona State Retirement System (Continued)

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

* With actuarially reduced benefits

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

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

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

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, statute required active ASRS members to contribute at the actuarially determined rate of 12.41 percent (12.22 percent for retirement and 0.19 percent for long term disability) of the members' annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 12.41 percent (12.01 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.19 percent for long term disability) of the active members' annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 10.22 percent (10.13 percent for retirement and 0.09 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, 2022, were $931,126, $16,281, and $14,484, respectively.

During fiscal year 2022, the City paid for ASRS pension and OPEB contributions as follows: 74.9 percent from the General Fund, 19.1 percent from major funds, and 6.0 percent from other funds.

14. Retirement Plans (Continued)

A. Arizona State Retirement System (Continued)

Liability – At June 30, 2022, 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	$7,867,965
Health insurance premium benefit	(297,831)
Long-term disability	12,491

The net asset and net liabilities were measured as of June 30, 2021. 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, 2020, to the measurement date of June 30, 2021. The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including decreasing the discount rate from 7.5 percent to 7.0 percent and changing the projected salary increases from 2.7-7.2 percent to 2.9-8.4 percent.

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, 2021. The City's proportions measured as of June 30, 2021, and the change from its proportions measured as of June 30, 2020, were:

	Proportion June 30, 2021	Increase (decrease) from June 30, 2020
Pension	0.05988%	-0.00183%
Health insurance premium benefit	0.06113%	-0.00176%
Long-term disability	0.06051%	-0.00185%

Expense – For the year ended June 30, 2022, the City recognized the following pension and OPEB expense.

	Pension/ OPEB expense
Pension	$612,331
Health insurance premium benefit	(27,328)
Long-term disability	8,753

Deferred outflows/inflows of resources – On June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

14. Retirement Plans (Continued)

A. Arizona State Retirement System (Continued)

	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	$ 119,940	$ -	$ -	$103,288	$ 3,608	$ 1,018
Changes of assumptions or other inputs	1,024,079	-	14,766	12,041	3,995	15,739
Net difference between projected and actual earnings on plan investments	-	2,492,846	-	110,480	-	8,651
Changes in proportion and differences between City contributions and proportionate share of contributions	48,257	186,494	648	162	1,120	1,119
City contributions subsequent to the measurement date	931,126	-	16,281	-	14,484	-
Totals	$2,123,402	$2,679,340	$31,695	$225,971	$23,207	$26,527

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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ending June 30	Pension	Health insurance premium benefit	Long-term disability
2023	$ (18,383)	$(49,357)	$(2,331)
2024	(60,084)	(47,326)	(2,180)
2025	(549,545)	(51,922)	(2,492)
2026	(859,054)	(57,359)	(3,802)
2027	-	(4,593)	(1,526)
Thereafter	-	-	(5,473)

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

Actuarial valuation date	June 30, 2020
Actuarial roll forward date	June 30, 2021
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

14. Retirement Plans (Continued)

A. Arizona State Retirement System (Continued)

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 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 and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected geometric real rate of return
Equity	50%	4.90%
Fixed income – credit	20%	5.20%
Fixed income – interest rate sensitive	10%	0.70%
Real estate	20%	5.70%
Total	100%	

Discount rate – At June 30, 2021, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. 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	$12,375,652	$7,867,965	$4,109,804
Net insurance premium benefit liability (asset)	(197,195)	(297,831)	(383,404)
Net long-term disability liability	16,265	12,491	8,839

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

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 $14,438, $24,329, $22,305, and $(16,462), 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.

Benefits Provided – The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial membership date:	
	Before January 1, 2012	On or After January 1, 2012 and before July 1, 2017
Retirement and disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent:		
Normal retirement	50% less 2.0% for each year of credited service less than 20 years of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Catastrophic disability retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor benefit		
Retired members	80% to 100% of retired member's pension benefit	
Active members	80% to 100% of accidental disability retirement benefit, or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

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, 2021, the following employees were covered by the agent plans' benefit terms:

	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	14	14
Inactive employees entitled to but not yet receiving benefits	5	-
Active employees	19	19
Total	38	33

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, 2022, 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%	37.07%	0.00%

The City's contributions to the plans for the year ended June 30, 2022, were:

Pension	Health insurance premium benefit
$1,049,464	$ -

During fiscal year 2022, the City paid for PSPRS pension and OPEB contributions as follows: 96.1% from the General Fund and 3.9% from the Grants and Donations Fund, a nonmajor governmental fund.

Liability – On June 30, 2022, the City reported the following assets and liabilities.

Net pension (asset) liability	Net OPEB (asset) liability
$3,625,185	$(75,271)

The net assets and net liabilities were measured as of June 30, 2021, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

During the fiscal year 2022 budget process, management recommended paying down the unfunded liability using a level payment approach resulting in annual payments of approximately $1 million over the remaining 16-year unfunded liability amortization period, plus any Smart & Safe Arizona Fund distributions as an additional payment.

14. Retirement Plans (Continued)

B. Public Safety Personnel Retirement System (Continued)

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

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables, loaded 110% for males and females
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset class	Target Allocation	Long-term expected geometric real rate of return
U.S. public equity	24%	4.08%
International public equity	16%	5.20%
Global private equity	20%	7.67%
Other assets (capital appreciation)	7%	5.43%
Core bonds	2%	0.42%
Private credit	20%	5.74%
Diversifying strategies	10%	3.99%
Cash – Mellon	1%	(0.31)%
Total	100%	

Discount rate – On June 30, 2021, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

14. Retirement Plans (Continued)

B. Public Safety Personnel Retirement System (Continued)

Changes in the net pension/OPEB liability

	Pension increase (decrease)			Health insurance premium benefit increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension (asset) liability (a) - (b)	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB (asset) liability (a) - (b)
Balances on June 30, 2021	$14,719,320	$8,922,960	$5,796,360	$229,539	$301,675	$(72,136)
Changes for the year						
Service cost	316,047	-	316,047	7,653	-	7,653
Interest on the total liability	1,068,437	-	1,068,437	16,003	-	16,003
Differences between expected and actual experience in the measurement of the liability	(966)	-	(966)	54,489	-	54,489
Contributions – employer	-	1,135,903	(1,135,903)	-	-	-
Contributions – employee	-	134,986	(134,986)	-	-	-
Net investment income	-	2,295,877	(2,295,877)	-	81,616	(81,616)
Benefit payments, including refunds of employee contributions	(798,494)	(798,494)	-	(35,935)	(35,935)	-
Administrative expense	-	(12,073)	12,073	-	(336)	336
Net changes	585,024	2,756,199	(2,171,175)	42,210	45,345	(3,135)
Balances on June 30, 2022	$15,304,344	$11,676,159	$3,625,185	$271,749	$347,020	$ (75,271)

Sensitivity of the City's net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the City's net pension/OPEB (assets) liabilities calculated using the discount rate of 7.3 percent, as well as what the City's net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

	1% Decrease (6.3%)	Current discount rate (7.3%)	1% Increase (8.3%)
Net pension (asset) liability	$5,803,316	$3,625,185	$1,855,231
Net OPEB (asset) liability	(42,989)	(75,271)	(102,236)

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

Expense – For the year ended June 30, 2022, the City recognized the following pension and OPEB expense:

Pension expense	OPEB expense
$133,042	$4,107

Deferred outflows/inflows of resources – On June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

14. Retirement Plans (Continued)

B. Public Safety Personnel Retirement System (Continued)

	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	$ 390,826	$59,411	$76,489	$16,028
Changes of assumptions or other inputs	237,666	-	1,072	3,155
Net difference between projected and actual earnings on plan investments	-	948,092	-	35,045
City contributions subsequent to the measurement date	1,049,464	-	-	-
Totals	$1,677,956	$1,007,503	$77,561	$54,228

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, 2023. 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
2023	$ 2,710	$3,067
2024	(20,997)	3,603
2025	(34,991)	5,691
2026	(325,733)	1,890
2027	-	9,082

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, 2022, active PSPDCRP members were required by statute to contribute at least 5 percent of the members' annual covered payroll, and the City was required by statute to contribute 5 percent of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the earnings on those contributions. Employees vest in a portion of the City's contributions each year as set forth in statute. The plan retains nonvested City contributions when forfeited because of employment terminations. For the year ended June 30, 2022, the City recognized pension expense of $44,657.

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 proceeds from financed purchases as other financing sources. The offsetting expenditures will be incurred in fiscal year 2022-23. 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 as reported in the Budgetary Comparison Schedule includes departmental contributions to an equipment replacement reserve as expenditures.

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

	Total Expenditures	Other Financing Sources (Uses)
Statement of Revenues, Expenditures, and Changes in Fund Balances	$23,909,219	$(5,216,297)
Financed purchase proceeds included in Statement of Revenues, Expenditures, and Changes in Fund Balances	-	(370,261)
Lease proceeds and expenditures included in Statement of Revenues, Expenditures, and Changes in Fund Balances	(2,387,935)	(2,387,935)
Equipment replacement reserve charge included for budgetary basis presentation	380,400	-
Budgetary Comparison Schedule – General Fund	$21,901,684	$(7,974,493)

17. Change in Accounting Principle

Net position/fund balance as of July 1, 2021, has been restated as follows for the implementation of GASB Statement No. 87, *Leases*, as amended.

	Governmental Activities	Business-Type Activities	Wastewater Fund	Internal Service Fund
Net position as previously reported at June 30, 2021	$92,016,439	$97,528,342	$97,479,164	$422,437
Prior period adjustment – implementation of GASB 87:				
Change in capital assets	207,404	12,893	12,893	38,012
Change in leases payable	(192,926)	(6,848)	(6,848)	(38,012)
Total prior period adjustment	14,478	6,045	6,045	-
Net position as restated, July 1, 2021	$92,030,917	$97,534,387	$97,485,209	$422,437

18. Subsequent Events

In July 2022, the City received its second half of American Rescue Plan Act (ARPA) funding of $1,726,510. Of the $3,453,020, $1,914,000 has been budgeted in fiscal year 2022-23 for a wastewater project upgrading major lift stations.

In August 2022, the City Council approved a pilot of the Rent Local program. The program aims to incentivize short-term rental property owners to provide long-term affordable leases to local workers instead. For fiscal year 2022-23, the City Council approved an initial budget of $240,000.

In August 2022, the City entered into a construction contract for $4,960,993 for a wastewater project upgrading three major lift stations.

In October 2022, the City Council approved the purchase of approximately 1.3 acres of land for $1,500,000 for a prospective workforce housing development.

In November 2022, the City Council approved the purchase of approximately 41 acres of land for $20,000,000 and the issuance of tax-exempt bonds for $10,148,000 for possible affordable/workforce housing development, community gathering spaces, open space preservation and other potential private-use development.

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)								
	2022 2021	2021 2020	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014	2014 through 2013
ASRS – Pension									
City's proportion of the net pension liability	0.059880%	0.061710%	0.060670%	0.061800%	0.058470%	0.054700%	0.051940%	0.050427%	Information not available
City's proportionate share of the net pension liability	$7,867,965	$10,692,196	$8,828,191	$8,618,925	$9,108,486	$8,829,130	$8,090,772	$7,461,507	
City's covered payroll	$6,770,609	$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	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	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

	Reporting fiscal year (Measurement date)					
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2013
ASRS – Health insurance premium benefit						
City's proportion of the net OPEB liability (asset)	0.061130%	0.062890%	0.061540%	0.062440%	0.058890%	Information not available
City's proportionate share of the net OPEB liability (asset)	$(297,831)	$(44,526)	$(17,008)	$(22,484)	$(32,060)	
City's covered payroll	$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	(4.40)%	(0.65)%	(0.27)%	(0.37)%	(0.57)%	
Plan fiduciary net position as a percentage of the total OPEB liability	130.24%	104.33%	101.62%	102.20%	103.57%	

	Reporting fiscal year (measurement date)					
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2013
ASRS – Long-term disability						
City's proportion of the net OPEB liability	0.060510%	0.062360%	0.061180%	0.061910%	0.058510%	Information not available
City's proportionate share of the net OPEB liability	$12,491	$47,307	$39,855	$32,348	$21,209	
City's covered payroll	$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	0.18%	0.69%	0.63%	0.53%	0.37%	
Plan fiduciary net position as a percentage of the total OPEB liability	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)								
PSPRS Police	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2013
Total pension liability									
Service cost	$ 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	1,068,437	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	(966)	313,044	394,857	(232,384)	(31,720)	108,055	(309,534)	(285,532)	
Changes of assumptions or other inputs	-	-	360,590	-	277,336	411,683	-	872,086	
Benefit payments, including refunds of employee contributions	(798,494)	(629,300)	(645,490)	(493,585)	(482,678)	(465,793)	(387,285)	(564,587)	
Net change in total pension liability	585,024	1,026,810	1,394,103	498,175	1,116,727	1,543,298	293,958	993,350	
Total pension liability - beginning	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)	$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	$ 1,135,903	$ 875,434	$ 894,934	$ 879,735	$ 444,238	$ 483,472	$ 396,718	$ 287,018	
Contributions – employee	134,986	137,348	148,600	204,147	178,624	182,485	185,850	158,370	
Net investment income	2,295,877	117,990	455,645	510,813	722,712	35,088	193,322	647,862	
Benefit payments, including refunds of employee contributions	(798,494)	(629,300)	(645,490)	(493,585)	(482,678)	(465,793)	(387,285)	(564,587)	
Administrative expense	(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	2,756,199	491,850	844,772	945,815	838,845	238,587	388,303	286,696	
Plan fiduciary net position - beginning	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)	$11,676,159	$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)	$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	76.31%	60.62%	61.57%	61.69%	56.27%	54.31%	60.86%	58.50%	
Covered payroll	$2,204,518	$1,896,886	$1,688,863	$1,816,663	$1,620,810	$1,983,869	$1,881,985	$1,651,848	
City's net pension liability as a percentage of covered payroll	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)					
PSPRS Health Insurance Premium Benefit	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2013
Total OPEB Liability						
Service cost	$ 7,653	$ 8,094	$ 6,453	$ 6,095	$ 6,791	Information
Interest on the total OPEB liability	16,003	13,328	13,924	12,499	13,717	not available
Changes of benefit terms	-	-	-	-	419	
Differences between expected and actual experience in the measurement of the OPEB liability	54,489	44,920	(19,338)	3,179	(18,591)	
Changes of assumptions or other inputs	-	-	1,877	-	(11,785)	
Benefit payments	(35,935)	(17,628)	(7,596)	(4,244)	(4,140)	
Net change in total OPEB liability	42,210	48,714	(4,680)	17,529	(13,589)	
Total OPEB liability - beginning	229,539	180,825	185,505	167,976	181,565	
Total OPEB liability - ending (a)	$271,749	$229,539	$180,825	$185,505	$167,976	
Plan fiduciary net position						
Contributions - employer	$ -	$ -	$ -	$ -	$ 30,977	
Net investment income	81,616	3,923	16,488	20,233	(4,140)	
Benefit payments	(35,935)	(17,628)	(7,596)	(4,244)	(274)	
Administrative expense	(336)	(319)	(285)	(308)	-	
Other changes	-	-	-	1	-	
Net change in plan fiduciary net position	45,345	(14,024)	8,607	15,682	26,563	
Plan fiduciary net position - beginning	301,675	315,699	307,092	291,410	264,847	
Plan fiduciary net position - ending (b)	$347,020	$301,675	$315,699	$307,092	$291,410	
City's net OPEB (asset) liability - ending (a) - (b)	$(75,271)	$(72,136)	$(134,874)	$(121,587)	$(123,434)	
Plan fiduciary net position as a percentage of the total OPEB liability	127.70%	131.43%	174.59%	165.54%	173.00%	
Covered payroll	$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	(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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
ASRS – Pension										
Statutorily required contribution	$931,126	$771,906	$747,790	$715,706	$664,293	$612,991	$570,333	$520,998	$509,997	Information not available
City's contributions in relation to the statutorily required contribution	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	$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	11.99%	11.40%	10.98%	11.27%	10.92%	10.80%	11.01%	10.63%	10.95%	

	Reporting Fiscal Year						
	2022	2021	2020	2019	2018	2017	2016 through 2013
ASRS – Health insurance premium benefit							
Statutorily required contribution	$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	16,281	33,034	30,414	29,448	26,816	31,844	
City's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	
City's covered payroll	$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	0.21%	0.49%	0.45%	0.46%	0.44%	0.56%	

	Reporting Fiscal Year						
	2022	2021	2020	2019	2018	2017	2016 through 2013
ASRS – Long-term disability							
Statutorily required contribution	$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	14,484	11,460	11,240	10,243	9,751	7,961	
City's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	
City's covered payroll	$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%	0.17%	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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
PSPRS Police										
Actuarially determined contribution	$ 667,163	$687,646	$ 511,870	$ 636,952	$607,984	$431,195	$431,873	$293,040	$287,018	Information not available
City's contributions in relation to the actuarially determined contribution	1,049,464	687,646	967,916	994,591	659,507	504,595	431,873	293,040	287,018	
City's contribution deficiency (excess)	$ (382,301)	$ -	$(456,046)	$(357,639)	$(51,523)	$(73,400)	$ -	$ -	$ -	
City's 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 contributions as a percentage of covered payroll	43.60%	31.19%	51.03%	58.89%	36.30%	31.13%	21.77%	15.57%	17.38%	

	Reporting Fiscal Year						
	2022	2021	2020	2019	2018	2017	2016 through 2013
PSPRS Health Insurance Premium Benefit							
Actuarially determined contribution	$ -	$ -	$ -	$ -	$ -	$ -	Information not available
City's contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	
City's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	
City's covered payroll	$2,407,191	$2,204,518	$1,896,886	$1,688,863	$1,816,663	$1,620,810	
City's contributions as a percentage of covered payroll	-%	-%	-%	-%	-%	-%	

See accompanying notes to pension/OPEB plan schedules.

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 2020 actuarial valuation	16 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions:	
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, 2022

	Capital Projects Funds				
	Sedona Summit II Community Facilities District	Fairfield Community Facilities District	Art in Public Places	Development Impact Fees	Total Nonmajor Governmental Funds
Assets					
Cash and investments	$ 367,609	$ 45,046	$ 191,292	$ 2,740,381	$ 3,344,328
Receivables, net of allowance for uncollectibles					
Accounts, net	268	28,645	-	-	28,913
Accrued interest	293	36	153	2,534	3,016
Total assets	$ 368,170	$ 73,727	$ 191,445	$ 2,742,915	$ 3,376,257
Liabilities					
Accounts payable	$ -	$ -	$ -	$ 750	$ 750
Construction contracts payable	-	10,154	-	305,838	315,992
Interest payable	-	-	-	84,570	84,570
Retainage payable	-	-	-	83,263	83,263
Total liabilities	-	10,154	-	474,421	484,575
Fund Balances (Deficits)					
Restricted	368,170	63,573	2,817	2,830,502	3,265,062
Committed	-	-	188,628	-	188,628
Unassigned	-	-	-	(562,008)	(562,008)
Total fund balances (deficits)	368,170	63,573	191,445	2,268,494	2,891,682
Total liabilities and fund balances (deficits)	$ 368,170	$ 73,727	$ 191,445	$ 2,742,915	$ 3,376,257

CITY OF SEDONA, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Capital Projects Funds				
	Sedona Summit II Community Facilities District	Fairfield Community Facilities District	Art in Public Places	Development Impact Fees	Total Nonmajor Governmental Funds
Revenues					
In-lieu taxes	$ 44,807	$ 145,150	$ -	$ -	$ 189,957
Impact fees	-	-	-	396,257	396,257
Investment earnings (loss)	(11,686)	(2,506)	(6,257)	(105,693)	(126,142)
Total revenues	33,121	142,644	(6,257)	290,564	460,072
Expenditures					
Debt service					
Interest and fiscal charges	-	-	-	84,570	84,570
Capital outlay	50,000	165,000	3,675	2,515,190	2,733,865
Total expenditures	50,000	165,000	3,675	2,599,760	2,818,435
Excess (deficiency) of revenues over expenditures	(16,879)	(22,356)	(9,932)	(2,309,196)	(2,358,363)
Other Financing Sources (Uses)					
Transfers in	-	-	26,950	1,588,140	1,615,090
Transfers out	-	-	-	(1,220)	(1,220)
Total other financing sources (uses)	-	-	26,950	1,586,920	1,613,870
Net change in fund balances	(16,879)	(22,356)	17,018	(722,276)	(744,493)
Fund balances - beginning of year	385,049	85,929	174,427	2,990,770	3,636,175
Fund balances - end of year	$ 368,170	$ 63,573	$ 191,445	$ 2,268,494	$ 2,891,682

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, 2022

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental	$ 2,000,000	$ 2,000,000	$ 892,825	$ (1,107,175)
Contributions	100,000	100,000	45,727	(54,273)
Investment earnings (loss)	138,180	138,180	(374,511)	(512,691)
Total revenues	2,238,180	2,238,180	564,041	(1,674,139)
Expenditures				
Debt service	-	420,830	420,824	6
Capital outlay	11,274,261	10,448,820	8,287,980	2,160,840
Total expenditures	11,274,261	10,869,650	8,708,804	2,160,846
Excess (deficiency) of revenues over expenditures	(9,036,081)	(8,631,470)	(8,144,763)	486,707
Other Financing Sources (Uses)				
Revenue bonds issued	-	-	21,640,000	21,640,000
Premium on revenue bonds	-	-	3,783,903	3,783,903
Transfers in	9,377,913	9,377,913	6,039,592	(3,338,321)
Transfers out	(12,047)	(12,047)	(1,951,656)	(1,939,609)
Total other financing sources (uses)	9,365,866	9,365,866	29,511,839	20,145,973
Net change in fund balance	329,785	734,396	21,367,076	20,632,680
Fund balance - beginning of year	11,578,895	11,578,895	9,340,601	(2,238,294)
Fund balance - end of year	$ 11,908,680	$ 12,313,291	$ 30,707,677	$ 18,394,386

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, 2022

	Budget		
	Original and Final	Actual	Variance with Final Budget
Revenues			
In-lieu taxes	$ 45,000	$ 44,807	$ (193)
Investment earnings (loss)	4,250	(11,686)	(15,936)
Total revenues	49,250	33,121	(16,129)
Expenditures			
Capital outlay	50,000	50,000	-
Total expenditures	50,000	50,000	-
Net change in fund balance	(750)	(16,879)	(16,129)
Fund balance - beginning of year	389,476	385,049	(4,427)
Fund balance - end of year	$ 388,726	$ 368,170	$ (20,556)

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, 2022

	Budget		
	Original and Final	Actual	Variance with Final Budget
Revenues			
In-lieu taxes	$ 122,400	$ 145,150	$ 22,750
Investment earnings (loss)	590	(2,506)	(3,096)
Total revenues	122,990	142,644	19,654
Expenditures			
Capital outlay	165,000	165,000	-
Total expenditures	165,000	165,000	-
Net change in fund balance	(42,010)	(22,356)	19,654
Fund balance - beginning of year	114,657	85,929	(28,728)
Fund balance - end of year	$ 72,647	$ 63,573	$ (9,074)

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, 2022

	Budget		
	Original and Final	Actual	Variance with Final Budget
Revenues			
Investment earnings (loss)	$ 690	$ (6,257)	$ (6,947)
Total revenues	690	(6,257)	(6,947)
Expenditures			
Capital outlay	136,000	3,675	132,325
Total expenditures	136,000	3,675	132,325
Excess (deficiency) of revenues over expenditures	(135,310)	(9,932)	125,378
Other Financing Sources (Uses)			
Transfers in	12,047	26,950	14,903
Net change in fund balance	(123,263)	17,018	140,281
Fund balance - beginning of year	172,241	174,427	2,186
Fund balance - end of year	$ 48,978	$ 191,445	$ 142,467

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, 2022

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Impact fees	$ 506,760	$ 506,760	$ 396,257	$ (110,503)
Investment earnings (loss)	37,260	37,260	(105,693)	(142,953)
Total revenues	544,020	544,020	290,564	(253,456)
Expenditures				
Debt service	-	84,570	84,570	-
Capital outlay	3,132,134	3,907,434	2,515,190	1,392,244
Total expenditures	3,132,134	3,992,004	2,599,760	1,392,244
Excess (deficiency) of revenues over expenditures	(2,588,114)	(3,447,984)	(2,309,196)	1,138,788
Other Financing Sources (Uses)				
Transfers in	200	200	1,588,140	1,587,940
Transfers out	-	-	(1,220)	(1,220)
Total other financing sources (uses)	200	200	1,586,920	1,586,720
Net change in fund balance	(2,587,914)	(3,447,784)	(722,276)	2,725,508
Fund balance - beginning of year	3,103,926	3,103,926	2,990,770	(113,156)
Fund balance - end of year	$ 516,012	$ (343,858)	$ 2,268,494	$ 2,612,352

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, 2022

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Charges for services	$ 6,046,990	$ 6,046,990	$ 6,245,944	$ 198,954
Capacity fees	931,756	931,756	626,267	(305,489)
Investment earnings (loss)	201,390	201,390	(565,845)	(767,235)
Other	58,750	58,750	47,463	(11,287)
Total revenues	7,238,886	7,238,886	6,353,829	(885,057)
Expenditures				
Salaries and employee benefits	1,636,920	1,636,920	1,497,120	139,800
Supplies and other	2,920,465	2,799,195	2,470,908	328,287
Capital outlay	3,296,000	3,418,200	1,784,235	1,633,965
Debt service	4,835,975	4,835,375	4,676,036	159,339
Contingency	100,000	100,000	-	100,000
Addition to equipment replacement reserve	628,800	628,800	612,505	16,295
Addition to major maintenance reserve	83,850	83,850	500	83,350
Total expenditures	13,502,010	13,502,340	11,041,304	2,461,036
Excess (deficiency) of revenues over expenditures	(6,263,124)	(6,263,454)	(4,687,475)	1,575,979
Other Financing Sources (Uses)				
Refunding bonds issued	9,000,000	9,000,000	8,890,000	(110,000)
Payment to refunded bond escrow agent	(9,000,000)	(9,000,000)	(8,769,995)	230,005
Transfers in	3,300,000	3,300,000	3,300,000	-
Total other financing sources (uses)	3,300,000	3,300,000	3,420,005	120,005
Add back equipment replacement reserve	628,800	628,800	612,505	(16,295)
Add back major maintenance reserve	83,850	83,850	500	(83,350)
Net change in fund balance	(2,250,474)	(2,250,804)	(654,465)	1,596,339
Fund balance - beginning of year	17,403,394	17,403,394	17,442,859	39,465
Fund balance - end of year	$ 15,152,920	$ 15,152,590	$ 16,788,394	$ 1,635,804

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

Net Position, end of year, budgetary basis:	$ 16,788,394
Adjustments to reconcile to net position:	
Adjustments from prior years	80,042,350
Capital contribution - developer-contributed sewer lines	52,354
Depreciation	(3,852,972)
Capital outlay	1,784,235
Refunding bonds issued	(8,890,000)
Bonds refunded	8,395,000
Principal paid on long-term debt	1,390,709
Decrease in premium on long-term debt	430,416
Decrease in long-term interest payable	2,436,589
Decrease in compensated absences	22,965
Increase in net pension/OPEB asset	31,339
Decrease in deferred outflows	(65,368)
Decrease in net pension liability	390,130
Increase in deferred inflows	(346,313)
Net Position, end of year	$ 98,609,828

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, 2022

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental	$ 1,051,810	$ 1,051,810	$ 49,490	$ (1,002,320)
Charges for services	50,550	50,550	660	(49,890)
Investment earnings (loss)	-	-	80	80
Total revenues	1,102,360	1,102,360	50,230	(1,052,130)
Expenditures				
Salaries and employee benefits	134,370	211,120	136,374	74,746
Supplies and other	737,920	841,361	795,493	45,868
Capital outlay	2,188,000	925,840	270,035	655,805
Debt service	-	-	15,054	(15,054)
Total expenditures	3,060,290	1,978,321	1,216,956	761,365
Excess (deficiency) of revenues over expenditures	(1,957,930)	(875,961)	(1,166,726)	(290,765)
Other Financing Sources				
Transfers in	1,957,930	1,957,930	1,313,551	(644,379)
Net change in fund balance	-	1,081,969	146,825	(935,144)
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	$ -	$ 1,081,969	$ 146,825	$ (935,144)

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

Net Position, end of year, budgetary basis:	$ 146,825
Adjustments to reconcile to net position:	
Adjustments from prior years	5,139
Depreciation	(59,177)
Capital outlay	270,035
Principal paid on long-term debt	4,624
Increase in compensated absences	(5,733)
Increase in deferred outflows	23,377
Increase in net pension asset	4,106
Increase in net pension liability	(108,649)
Decrease in deferred inflows	(40,420)
Net Position, end of year	$ 240,127

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, 2022

	Budget			Variance with Final
	Original	Final	Actual	Budget
Revenues				
Charges for services	$ 1,717,420	$ 1,717,420	$ 1,736,653	$ 19,233
Investment earnings (loss)	7,460	7,460	(30,335)	(37,795)
Total revenues	1,724,880	1,724,880	1,706,318	(18,562)
Expenditures				
Salaries and employee benefits	638,330	638,330	637,889	441
Supplies and other	1,105,919	1,132,315	1,028,047	104,268
Capital outlay	94,700	73,600	34,191	39,409
Debt service	15,230	15,230	15,230	-
Addition to equipment replacement reserve	197,950	197,950	47,859	150,091
Total expenditures	2,052,129	2,057,425	1,763,216	294,209
Excess (deficiency) of revenues over expenditures	(327,249)	(332,545)	(56,898)	275,647
Other Financing Uses				
Transfers in	48,970	48,970	26,899	(22,071)
Add back equipment replacement reserve	197,950	197,950	47,859	150,091
Net change in fund balance	(80,329)	(85,625)	17,860	403,667
Fund balance - beginning of year	953,255	953,255	915,296	(37,959)
Fund balance - end of year	$ 872,926	$ 867,630	$ 933,156	$ 365,708

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

Net Position, end of year, budgetary basis:	$ 933,156
Adjustments to reconcile to net position:	
Adjustments from prior years	(492,859)
Depreciation	(64,061)
Capital outlay	34,191
Principal paid on long-term debt	15,180
Increase in compensated absences	7,513
Increase in net pension asset	15,271
Increase in deferred outflows	(3,506)
Increase in net pension liability	179,381
Decrease in deferred inflows	(168,415)
Net Position, end of year	$ 455,851

STATISTICAL SECTION

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									
	2022	(Restated) 2021	(Restated) 2020	2019	(Restated) 2018	(Restated) 2017	(Restated) 2016	(Restated) 2015	(Restated) 2014	(Restated) 2013
Governmental activities										
Net investment in capital assets	$ 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	$18,019,228
Restricted	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	10,514,851
Unrestricted	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	14,612,403
Total governmental activities net position	$112,620,928	$92,030,917	$73,660,523	$64,856,973	$54,271,237	$48,799,686	$44,787,678	$41,097,575	$46,211,259	$43,146,482
Business-type activities										
Net investment in capital assets	$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	$65,088,810
Restricted	41,123	5,678	1,854	2,571	3,486	-	-	-	-	-
Unrestricted	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	10,366,261
Total business-type activities net position	$98,897,006	$97,534,387	$95,477,504	$92,780,071	$89,407,337	$86,077,495	$82,436,203	$69,923,763	$77,736,357	$75,455,071
Primary government										
Net investment in capital assets	$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	$83,108,038
Restricted	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	10,514,851
Unrestricted	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	24,978,664
Total primary government net position	$211,517,934	$189,565,304	$169,138,027	$157,637,044	$143,678,574	$134,877,181	$127,223,881	$111,021,338	$123,947,616	$118,601,553

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									
	2022	(Restated) 2021	(Restated) 2020	2019	(Restated) 2018	(Restated) 2017	(Restated) 2016	(Restated) 2015	(Restated) 2014	(Restated) 2013
Expenses										
Governmental Activities:										
General government	$ 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	$ 5,231,759
Public safety	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	2,654,768
Public works and streets	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	5,635,022
Community and economic development	-	-	-	-	-	-	-	2,200,510	932,919	1,834,854
Community services	-	-	-	-	-	-	-	-	426,571	974,564
Culture and recreation	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	2,168,093	2,970,824	2,618,729	2,424,664	2,355,663	2,261,269	1,336,234	-	-	-
Health and welfare	982,142	668,043	612,522	492,083	251,997	-	-	-	-	-
Public transportation	60,900	60,000	255,418	202,363	188,604	-	-	-	-	-
Housing	312,342	70,127	280,621	-	-	-	-	-	-	-
Interest on long-term debt	534,066	209,773	236,419	281,913	292,714	296,144	319,545	442,506	563,158	559,672
Total governmental activities	25,461,101	23,012,279	23,071,718	21,222,233	21,278,630	20,481,094	17,409,688	16,563,850	14,915,297	16,890,639
Business-Type Activities:										
Wastewater	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	8,345,260
Public transportation	1,128,713	61,455	-	-	-	-	-	-	-	-
Total business-type activities	9,707,345	8,960,925	8,316,948	8,691,487	8,217,210	7,590,660	7,394,559	8,416,450	8,147,798	8,345,260
Total primary government expenses	$35,168,446	$31,973,204	$31,388,666	$29,913,720	$29,495,840	$28,071,754	$24,804,247	$24,980,300	$23,063,095	$25,235,899
Program revenues										
Governmental activities:										
Charges for services										
General government	$ 680,721	$ 567,083	$ 686,472	$ 674,910	$ 824,299	$ 661,395	$ 674,762	$ 318,200	$ 89,021	$ 78,355
Public safety	982,099	830,129	385,984	617,090	607,666	24,743	31,570	49,218	134,164	154,786
Public works	11,429	6,463	19,068	16,044	16,614	4,690	4,745	3,870	70,943	90,065
Community and economic development	-	-	-	-	-	-	-	402,483	381,803	22,270
Community services	-	-	-	-	-	-	-	95,716	57,697	68,367
Culture and recreation	190,079	80,354	80,158	138,768	131,359	121,295	104,217	-	-	-
Public transportation	-	35	460	855	-	-	-	-	-	-
Operating grants and contributions	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	1,970,762
Capital grants and contributions	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	779,462
Total governmental activities program revenues	5,493,990	4,094,629	5,432,607	4,719,523	3,750,625	3,949,886	3,048,850	3,629,973	3,336,236	3,164,067
Business-Type Activities:										
Charges for services										
Wastewater	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	5,884,685
Public transportation	660	-	-	-	-	-	-	-	-	-
Operating grants and contributions	49,400	46,400	-	-	-	-	-	-	-	-
Capital grants and contributions	669,521	1,425,829	1,074,988	573,380	523,013	1,167,388	-	-	-	-
Total business-type activities program revenues	7,000,548	7,499,573	7,118,433	6,825,334	6,703,373	7,102,276	6,349,506	6,093,385	5,908,088	5,884,685
Total primary government program revenues	$12,494,538	$11,594,202	$12,551,040	$11,544,857	$10,453,998	$11,052,162	$9,398,356	$9,723,358	$9,244,324	$9,048,752

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

	Fiscal Year									
(Concluded)	2022	(Restated) 2021	(Restated) 2020	2019	(Restated) 2018	(Restated) 2017	(Restated) 2016	(Restated) 2015	(Restated) 2014	(Restated) 2013
Net (Expense)/Revenue										
Governmental activities	$(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)	$(13,726,572)
Business-type activities	(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)	(2,460,575)
Total primary government net expense	$(22,673,908)	$(20,379,002)	$(18,837,626)	$(18,368,863)	$(19,041,842)	$(17,019,592)	$(15,405,891)	$(15,256,942)	$(13,818,771)	$(16,187,147)
General Revenues and Transfers										
Governmental activities										
Taxes										
Sales taxes	$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	$8,824,918
Franchise taxes	883,545	883,456	809,673	807,465	813,573	786,882	789,754	766,728	738,631	720,455
In lieu taxes	687,098	878,659	670,736	655,721	643,087	630,532	622,224	488,937	500,968	692,049
Unrestricted state revenue sharing	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	1,024,645
Unrestricted state sales tax revenue sharing	1,374,160	1,199,926	1,067,529	1,039,635	998,202	950,879	948,696	916,721	873,126	821,056
Unrestricted auto lieu tax revenue sharing	772,587	795,420	664,581	662,935	642,895	606,030	577,681	534,404	508,519	483,343
Investment earnings	(1,909,427)	193,365	815,918	1,003,210	99,315	159,363	307,030	210,386	255,995	127,098
Proceeds from sale of capital assets	-	-	-	-	-	-	11,806	-	-	-
Other revenues	455,738	244,604	194,965	87,431	70,639	107,960	78,629	22,863	164,187	64,367
Transfers	(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	63,842
Total governmental activities general revenues and transfers	40,557,122	37,288,044	26,442,661	27,088,446	22,999,556	20,458,263	18,050,941	16,293,496	14,643,838	12,821,773
Business-type activities										
Sales taxes	-	-	-	-	-	-	-	4,046,986	4,478,074	4,638,664
Investment earnings	(565,765)	81,729	435,820	620,971	100,891	78,287	179,734	73,193	126,548	111,930
Other revenues	12,530	16,312	13,128	18,207	391,650	13,116	-	-	-	-
Transfers	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)	(63,842)
Total business-type activities general revenues and transfers	4,069,416	3,518,235	3,895,948	5,238,887	4,843,679	4,129,614	4,677,284	4,031,944	4,520,996	4,686,752
Total primary government general revenues and transfers	$44,626,538	$40,806,279	$30,338,609	$32,327,333	$27,843,235	$24,587,877	$22,728,225	$20,325,440	$19,164,834	$17,508,525
Change in Net Position										
Governmental activities	$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	$ (904,799)
Business-type activities	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	2,226,177
Total primary government change in net position	$21,952,630	$20,427,277	$14,199,506	$13,958,470	$8,801,393	$7,568,285	$7,322,334	$5,068,498	$5,346,063	$1,321,378

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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Fund										
Nonspendable	$ 1,831,847	$ 14,857	$ 29,826	$ 11,683	$ 15,604	$ 15,409	$ 86,203	$ -	$ -	$ -
Restricted	106,653	1,085,384	943,286	95,416	86,591	81,828	77,855	1,794,750	-	-
Committed	1,189,469	201,446	1,403,370	1,619,954	701,913	421,696	389,240	-	1,626,131	-
Assigned	21,255,873	6,357,618	1,232,035	2,195,394	2,032,174	2,018,050	1,585,000	-	-	-
Unassigned	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	14,295,777
Total General Fund	$40,126,698	$26,014,036	$15,592,186	$13,376,519	$ 9,751,377	$11,028,522	$ 9,750,233	$13,244,209	$17,514,173	$14,295,777
All Other Governmental Funds										
Nonspendable	$ 27,000	$ -	$ -	$ -	$ 1,575	$ -	$ 15,000	$ -	$ -	$ -
Restricted	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	10,561,911
Committed	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	11,388,935	10,526,188	10,854,394	14,432,612	15,334,100	750,137	525,863	26,199	-	-
Unassigned	(568,381)	(5,109)	(1,447)	(39,141)	(31,246)	(54,281)	(36,684)	(19,373)	-	-
Total All Other Governmental Funds	$42,517,480	$21,416,526	$21,577,369	$22,241,932	$19,705,168	$16,436,801	$16,518,333	$13,066,848	$6,836,886	$10,561,911

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									
	2022	2021	2020	2019	2018	2017	(Restated) 2016	(Restated) 2015	2014	2013
Revenues										
Taxes	$ 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	$ 9,756,849
Licenses and permits	469,115	385,953	311,569	380,721	455,498	475,216	496,517	468,722	466,937	334,756
Intergovernmental	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	4,825,104
Charges for services	991,945	667,969	672,362	933,927	770,108	202,854	162,130	190,565	99,231	89,118
Fines and forfeitures	272,365	386,317	196,524	227,761	249,893	140,840	147,984	172,694	134,164	154,786
Contributions	99,555	257,508	75,029	724,645	290,500	86,376	230,296	23,711	-	51,945
Impact fees	396,257	659,553	478,597	292,546	207,076	618,741	231,772	216,039	450,798	278,480
Investment earnings	(1,879,130)	190,188	803,048	995,455	99,675	159,363	307,030	238,592	303,098	139,854
Other revenues	539,472	237,059	167,679	102,221	75,089	107,960	78,629	38,707	276,872	521,353
Total revenues	50,019,283	44,278,549	34,572,214	36,181,644	31,374,050	28,146,258	25,572,513	20,011,678	18,142,272	16,152,245
Expenditures										
Current										
General government	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	5,639,357
Public safety	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	2,723,035
Public works and streets	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	3,332,977
Culture and recreation	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	1,803,515
Economic development	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	993,494	667,398	602,680	493,249	251,997	-	-	-	-	-
Public transportation	60,900	60,000	192,544	202,363	188,604	-	-	-	-	-
Housing	316,027	70,127	280,621	-	-	-	-	-	-	-
Debt service:										
Principal retirement	1,328,323	1,093,459	1,153,970	1,419,977	1,413,004	602,019	515,000	345,000	346,889	354,309
Interest and fiscal charges	484,868	146,572	187,221	208,035	234,775	222,266	153,842	418,606	526,321	538,964
Bond issuance costs	420,824	-	-	-	-	-	91,825	-	34,699	-
Capital outlay	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	4,486,413
Total expenditures	38,420,160	31,345,946	29,962,575	25,802,550	25,318,381	23,349,599	21,307,360	18,575,874	18,768,226	18,878,570
Excess (deficiency) of revenue over expenditures	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)	(2,726,325)
Other Financing Sources (Uses)										
Transfers in	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	(793,833)
Transfers out	(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)	857,675
Issuance of long-term debt	28,182,099	735,350	373,112	373,498	268,509	438,309	8,030,000	-	1,879,700	-
Sale of capital assets	72,844	42,045	42,873	9,024	18,182	-	11,806	22,863	-	-
Payment to escrow agent	-	-	-	-	-	-	(7,934,739)	-	(1,845,000)	-
Total other financing sources (uses)	23,614,493	(2,671,596)	(3,058,535)	(4,217,187)	(4,064,447)	(3,599,902)	(4,390,483)	111,098	118,326	63,842
Net change in fund balances	$ 35,213,616	$ 10,261,007	$ 1,551,104	$ 6,161,906	$ 1,991,222	$ 1,196,757	$ (125,330)	$ 1,546,902	$ (507,628)	$(2,662,483)
Debt service as a percentage of non-capital expenditures	8.34%	5.96%	6.35%	7.79%	8.14%	4.39%	4.20%	5.08%	6.05%	6.21%

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)

	Fiscal Year 2022			Fiscal Year 2013		
Tax Payer	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Hotels & Other Lodging	$18,124,683	1	43.5%	$ 3,142,085	2	27.4%
Retail	11,134,346	2	26.7%	3,951,970	1	34.3%
Restaurants & Bars	6,072,766	3	14.6%	1,769,999	3	15.4%
Rental/Leasing/Licensing	2,011,477	4	4.8%	747,856	5	6.5%
Construction	1,943,797	5	4.7%	799,034	4	7.0%
All Other	1,640,377	6	3.9%	503,248	7	4.5%
Transportation/Communication/Utilities	767,611	7	1.8%	566,849	6	4.9%
Total	$41,695,057		100.0%	$11,481,041		100.0%

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
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
2013	6,999,858	1,857,455	720,455	179,081	9,756,849

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

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

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Sales Category										
Construction	$ 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	$ 799,034
Transportation, Communication and Utilities	767,611	789,032	731,516	718,813	584,656	571,822	596,888	551,710	621,539	566,849
Retail	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	3,941,680
Restaurants and Bars	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	1,769,999
Rental/Leasing/Licensing	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	747,856
Hotels and Other Lodging	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	3,142,085
All Other	1,640,377	1,041,101	893,336	1,280,028	1,044,676	911,414	887,700	1,053,920	612,380	513,538
Total	$41,695,057	$34,969,787	$24,279,765	$26,169,932	$22,825,197	$20,080,186	$18,009,946	$13,916,012	$11,822,340	$11,481,041
Direct Sales Tax Rate	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%	3.00%
Transient Lodging Tax	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	3.00%

Source: Arizona Department of Revenue and Revenue Discovery Systems

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

Fiscal Year	City Direct Sales Tax Rate	Yavapai County	Coconino County	State of Arizona
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%
2013	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)

	Governmental Activities			Business-Type Activities						
Fiscal Year	Revenue Bonds	Financed Purchases	Leases and Installment Purchases	Revenue Bonds	Financed Purchases	Leases	Capital Appreciation Bond Interest	Total Primary Government	Percentage of Personal Income	Per Capita
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
2013	11,135,500	-	16,889	41,889,499	-	-	7,265,246	60,307,134	16.65%	5,314

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, 2022
(UNAUDITED)

Governmental Unit	Outstanding Debt [1]	Estimated Percentage Applicable [2]	Estimated Share of Overlapping Debt
Coconino County	$ 17,635,000	6.73%	$ 1,186,836
Yavapai County	72,942,002	7.43%	5,419,591
Coconino County Community College District	-	6.73%	-
Yavapai County Community College District	-	7.43%	-
Sedona Oak Creek Unified S.D. No 9	24,625,000	59.46%	14,642,025
Sedona Fire District	255,310	59.28%	151,348
Total Overlapping Debt			21,399,800
City of Sedona	34,062,135	100%	34,062,135
Total Direct and Overlapping Debt			$55,461,935

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

[1] Includes general obligation bonds outstanding. The City of Sedona does not have any general obligation bonds.

[2] Proportion applicable to the City of Sedona, Arizona, is computed on the ratio of secondary assessed valuation for 2022 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
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
2013	15,029,208	4,210,000	2,279,329	6,489,329	2.32

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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Coconino County	$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	N/A
Yavapai County	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	N/A
Total Assessed Valuation	$427,602,743	$407,096,608	$439,021,011	$394,903,189	$377,168,620	$361,774,014	$316,695,467	$304,804,395	$287,389,075	$298,617,510
20% Limitation										
Debt Limit Equal to 20% of Assessed Valuation	$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	$59,723,502
Total Net Debt Applicable to 20% Limit	-	-	-	-	-	-	-	-	-	-
Legal 20% Debt Margin	$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	$59,723,502
6% Limitation										
Debt Limit Equal to 6% of Assessed Valuation	$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	$17,917,051
Total Net Debt Applicable to 6% Limit	-	-	-	-	-	-	-	-	-	-
Legal 6% Debt Margin	$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	$17,917,051

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
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%
2013	9,981	318,608,492	31,922	56.1	1,219	8.70%

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)

	2022			2013		
Employer	Employees[1]	Rank	Percentage of Total Employment	Employees[1]	Rank	Percentage of Total Employment
Enchantment Resorts (location outside of City)	556	1	8.83%	500	1	7.47%
L'Auberge de Sedona Resort	518	2	8.22%	270	3	4.04%
Orchards Inn	220	3	3.49%	-	-	-
City of Sedona	166	4	2.62%	108	8	1.61%
Whole Foods Market	165	5	2.62%	-	-	-
Arizona Elder Care	120	6	1.96%	-	-	-
Villas at Poco Diablo	108	7	1.71%	89	10	1.33%
Sedona/Oak Creek School District	108	8	1.71%	160	5	2.39%
Verde Valley Medical Center/Sedona Emergency Department	92	9	1.46%	-	-	-
Picazzo's Healthy Italian Kitchen	80	10	1.27%	-	-	-
Diamond Resorts	-	-	-	450	2	6.73%
Hilton Sedona Resort at Bell Rock (location outside of City)	-	-	-	200	4	2.99%
Pink Jeep Tours	-	-	-	160	6	2.39%
Sedona Rouge	-	-	-	115	7	1.72%
Amara Resort	-	-	-	93	9	1.39%
Total	2,133		33.89%	2,145		32.06%

Source: Sedona Chamber of Commerce; City of Sedona, Arizona
[1] Principal employers include the City of Sedona and surrounding region.

CITY OF SEDONA, ARIZONA
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)

	Budgeted Positions									
Function	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General government										
Mayor and Council	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Management services	19.4	19.3	19.2	18.8	18.8	18.2	17.6	18.4	18.4	17.6
Finance	10.0	8.7	8.7	8.2	8.2	8.2	8.0	8.0	8.0	6.0
Community Development	6.4	6.7	6.7	7.3	6.5	6.6	9.6	8.0	8.0	8.2
Facilities maintenance	4.8	3.6	3.8	1.8	1.6	1.6	2.4	1.0	1.0	1.0
Court	5.5	5.5	4.7	4.7	4.3	4.3	3.7	3.7	4.3	4.3
Public safety										
Building safety	4.8	4.0	3.7	3.2	4.7	4.8	2.1	2.0	2.0	2.0
Code enforcement	2.3	2.2	2.2	2.5	2.4	2.3	2.0	2.0	2.0	2.0
Police - sworn	29.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	25.0
Police - civilian	17.6	16.6	16.6	15.6	15.6	15.6	14.4	13.5	12.0	10.0
Public works										
Engineering and project management	12.6	11.6	11.7	11.7	11.1	12.3	7.0	5.0	5.0	5.0
Other	11.0	9.9	9.3	9.5	8.3	4.5	4.3	15.2	15.2	14.4
Culture and recreation										
Parks and recreation	14.4	12.9	13.4	12.6	12.5	11.0	15.2	6.0	5.9	6.1
Arts and culture	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	-	-	-
Health and welfare	2.0	1.0	1.0	1.0	-	-	-	-	-	-
Public transportation	1.0	1.0	1.0	-	-	-	-	-	-	-
Housing	1.0	1.0	-	-	-	-	-	-	-	-
Wastewater	13.0	13.0	13.0	12.0	12.0	10.6	10.6	9.8	9.8	10.7
Total	163.8	152.8	151.1	145.1	142.3	136.2	132.7	127.4	126.4	119.3

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

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

	Fiscal Year									
Function	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General government										
Building permits issued	734	575	542	512	557	646	617	518	500	476
Building inspections conducted	4,485	4,398	3,515	3,954	2,899	1,889	1,733	1,953	1,907	1,781
Police										
Physical arrests	268	283	340	301	391	464	383	432	325	364
Parking violations	1,725	3,336	2,350	2,568	2,819	728	737	317	191	587
Traffic violations	N/A	N/A	N/A	N/A	N/A	2,011	3,553	3,827	1,145	2,340
Traffic stops	3,343	3,582	3,659	4,269	5,173	N/A	N/A	N/A	N/A	N/A
Public works										
Street resurfacing (miles)	4.8	4.1	5.5	4.3	5.9	6.5	2.4	2.6	2.2	3.8
Right-of-way permits issued	148	105	126	239	198	184	194	210	190	204
Wastewater										
Average daily sewage treatment (millions of gallons)	1.2	1.2	1.1	1.1	1.2	1.1	1.1	1.1	1.2	1.1

Source: City of Sedona, Arizona

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

	Fiscal Year									
Function	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Resource centers	1	1	-	-	-	-	-	-	-	-
Patrol units	18	18	17	17	19	19	16	15	15	17
Public works										
Streets (miles)	92.9	92.6	92.6	92.6	92.6	92.6	92.6	92.6	92.6	92.6
Highways (miles)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Streetlights	155	155	149	149	149	149	147	147	136	136
Parks and recreation										
Acreage	123	123	123	123	123	123	123	123	123	93
Playgrounds	3	3	3	3	3	3	3	3	3	3
Baseball and softball diamonds	2	2	2	2	2	2	2	2	2	2
Football and soccer fields	1	1	1	1	1	1	1	1	1	1
Water										
Fire hydrants	659	659	659	659	659	659	659	659	659	659
Wastewater										
Sanitary sewers (miles)	110	110	110	110	110	110	110	110	110	110
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
Note: The 2014 parks acreage includes addition of the wetlands preserve located at the wastewater treatment plant and the Brewer Road Park.

CITY OF SEDONA, ARIZONA

ANNUAL EXPENDITURE LIMITATION REPORT

YEAR ENDED JUNE 30, 2022

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CITY OF SEDONA, ARIZONA
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INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the accompanying Annual Expenditure Limitation Report of the City of Sedona, Arizona (City), for the year ended June 30, 2022, and the related notes to the report. The City's management is responsible for presenting this report in accordance with the *Uniform Expenditure Reporting System* (UERS) as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
December 21, 2022

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CITY OF SEDONA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT – PART I
YEAR ENDED JUNE 30, 2022

1.	Economic Estimates Commission expenditure limitation	$ -	
2.	Voter approved alternative expenditure limitation	71,692,843	
3.	Enter applicable amount from Line 1 or Line 2		$ 71,692,843
4.	Amount subject to the expenditure limitation (total amount from Part II, Line C)	54,714,763	
5.	Board-authorized expenditures necessitated by a disaster the Governor declared	-	
6.	Board-authorized expenditures necessitated by a disaster the Governor did not declare	-	
7.	Prior-year voter approved expenditures to exceed the expenditure limitation for the reporting fiscal year	-	
8.	Subtotal	54,714,763	
9.	Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster the Governor did not declare and the voters did not approve	-	
10.	Total adjusted amount subject to the expenditure limitation		54,714,763
11.	Amount under (in excess of) the expenditure limitation		$ 16,978,080

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

Signature: Cherie R White

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

Telephone Number: (928) 203-5193 Date: December 21, 2022

See accompanying Notes to Annual Expenditure Limitation Report

CITY OF SEDONA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT – PART II
YEAR ENDED JUNE 30, 2022

	Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
A.	Amounts reported on the Reconciliation Line D	$ 35,420,186	$ 17,586,733	$ 1,707,844	$ 54,714,763
B.	Less exclusions claimed:				
1	Debt Proceeds	-	-	-	-
2	Debt service requirements	-	-	-	-
3	Dividends, interest and gains on sale or redemption of investment securities	-	-	-	-
4	Trustee or custodian	-	-	-	-
5	Grants and aid from the federal government	-	-	-	-
6	Grants, aid, contributions or gifts from private agency, organization or individual, except amounts received in lieu of taxes	-	-	-	-
7	Amounts received from the State of Arizona	-	-	-	-
8	Quasi-external interfund transactions	-	-	-	-
9	Amounts accumulated for purchase of land, purchase or construction of buildings or improvements	-	-	-	-
10	Highway user revenues in excess of those received in fiscal year 1979-80	-	-	-	-
11	Contracts with other political subdivisions	-	-	-	-
12	Refunds, reimbursements and other recoveries	-	-	-	-
13	Voter approved exclusions not identified above	-	-	-	-
14	Prior years carryforward	-	-	-	-
15	Qualifying capital improvement expenditure repaid in accordance with A.R.S. 41-1279.07	-	-	-	-
16	Total exclusions claimed	-	-	-	-
C.	Amounts subject to the expenditure limitation	$ 35,420,186	$ 17,586,733	$ 1,707,844	$ 54,714,763

See accompanying Notes to Annual Expenditure Limitation Report.

CITY OF SEDONA, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT – RECONCILIATION
YEAR ENDED JUNE 30, 2022

	Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
A.	Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements.	$ 38,420,160	$ 9,710,357	$ 1,699,803	$ 49,830,320
B.	Subtract:				
1	Items not requiring use of working capital				
	Depreciation	-	3,912,149	64,061	3,976,210
	Claims incurred but not reported (IBNR)	-	-	-	-
	Pension expense	-	176,285	29,904	206,189
2	Expenditures of separate legal entities established under ARS	215,000	-	-	215,000
3	Required fees paid to the Industrial Commission of Arizona	26,778	-	-	26,778
4	Present value of net minimum lease, financed purchase, and subscription-based information technology arrangement (SBITA) contract payments recorded as expenditures at the agreements' inception	2,758,196	-	-	2,758,196
5	Involuntary court judgments	-	-	-	-
6	Total subtractions	2,999,974	4,088,434	93,965	7,182,373
C.	Additions:				
1	Principal payments on long-term debt	-	9,790,333	15,180	9,805,513
2	Capital asset acquisitions	-	2,054,570	34,191	2,088,761
3					
	Amounts paid in the current year but reported as expenses in previous years:	-	-	-	-
	OPEB	-	-	-	-
	Claims previously recognized as IBNR	-	-	-	-
	Landfill closure and postclosure care costs	-	-	-	-
4	Pension contributions paid in the current year	-	119,907	52,635	172,542
5	Total additions	-	11,964,810	102,006	12,066,816
D.	Amounts reported on Part II Line A	$ 35,420,186	$ 17,586,733	$ 1,707,844	$ 54,714,763

See accompanying Notes to Annual Expenditure Limitation Report

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 REQUIRED FEES PAID TO THE INDUSTRIAL COMMISSION OF ARIZONA

The subtraction for required fees State law required the City to pay that are excluded from the city expenditure limitation consists of payments to the Industrial Commission of Arizona pursuant to A.R.S. §23-1703 for the Municipal Firefighter Cancer Reimbursement Fund, which were recorded as a General Fund expenditure.

NOTE 3 PENSION RELATED ADJUSTMENTS

The $206,189 subtraction for pension and other postemployment benefit (OPEB) expense consists of changes in the net pension and OPEB assets and liabilities, and changes in deferred inflows and outflows related to pensions and OPEB recognized in the current year in the enterprise/internal service funds. The $172,542 addition for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions made to the Arizona State Retirement System from the enterprise/internal service funds. The schedule below reconciles the net effect the subtraction and addition have on the expenditures subject to the limitation to the amounts reported on the statement of cash flows' net effect on cash.

	Enterprise Funds	Internal Service Funds
Statement of Cash Flows		
Change in Net Pension and OPEB Asset	$ (35,445)	$ (15,271)
Change in Deferred Inflows Related to Pensions and OPEB	386,733	168,415
Change in Deferred Outflows Related to Pensions and OPEB	(13,429)	3,506
Change in Net Pension and OPEB Liability	(281,481)	(179,381)
Total	$ 56,378	$ (22,731)
AELR Reconciliation		
Pension/OPEB Expense(Income) – Subtraction	$ 176,285	$ 29,904
Pension/OPEB Contributions – Addition	119,907	52,635
Total	$ 56,378	$ (22,731)

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City Council
City of Sedona, Arizona
Sedona, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sedona, Arizona (City) as of and for the year ended June 30, 2022, and have issued our report thereon dated December 21, 2022. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit in our engagement letter dated August 1, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings or issues

Qualitative aspects of accounting practices

Accounting policies

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

As described in Note 1, the City changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards Board (GASB Statement) No. 87, *Leases*, in 2022.

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

Accounting estimates

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

- Management's estimate of the useful lives and remaining useful lives of capital assets was based on prior experience and the condition of the assets. We evaluated the key factors and assumptions used to develop the estimated useful lives and remaining useful lives in determining that they are reasonable in relation to the financial statements taken as a whole.

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

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- Management's estimate of the compensated absences is based on vested leave time accrued through June 30, 2022 and an estimate of leave time that will vest. We evaluated the key factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the unfunded pension/OPEB asset or liability related to the Arizona State Retirement System and Public Safety Personnel Retirement System Plan benefits are based on actuarial reports prepared by other professionals. We reviewed the key assumptions used to estimate the asset or liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

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

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

Significant unusual transactions

We identified no significant unusual transactions.

Difficulties encountered in performing the audit

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

Uncorrected misstatements

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

Corrected misstatements

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

Disagreements with management

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

Management representations

We have requested certain representations from management that are included in the management representation letter dated December 21, 2022.

Management consultations with other independent accountants

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

Significant issues discussed with management prior to engagement

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

Required supplementary information

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

Supplementary information in relation to the financial statements taken as a whole

With respect to the combining and individual nonmajor fund financial statements and schedules (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated December 21, 2022.

Other information included in annual reports

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your annual report and is comprised of the introductory and statistical sections. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. 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. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements.

* * *

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
December 21, 2022

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

City Council
City of Sedona, Arizona
Sedona, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

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City Council
City of Sedona, Arizona

Report on Compliance and Other Matters

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

Purpose of This Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
December 21, 2022

CliftonLarsonAllen LLP
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INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the City of Sedona, Arizona's (City) compliance as to whether expenditures made during the fiscal year ended June 30, 2022, from Highway User Revenue Fund monies received by the City pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the City were used solely for the authorized transportation purposes prescribed in Article IX, §14, of the Arizona Constitution. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

In our opinion, the City of Sedona, Arizona complied, in all material respects, with the aforementioned requirements for the fiscal year ended June 30, 2022.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
December 21, 2022

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Overview of Financial Status and Presentation of Audit Results

City Council Presentation
January 10, 2023

FY 21-22
ACFR

CITY OF SEDONA

Agenda

- FY 2022 Financial Results
- Expenditure Limitation Summary
- Audit Results

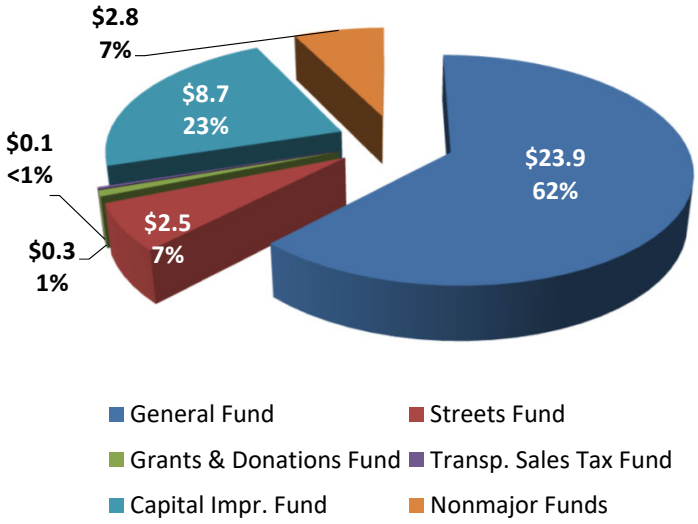
FY 21-22
ACFR

CITY OF SEDONA

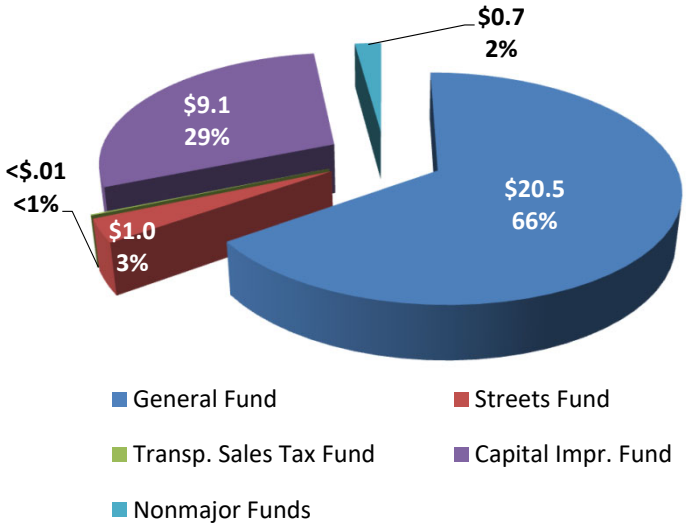
Governmental Expenditures by Fund

ACFR pg. 37

FY 2022 - $38.4 million



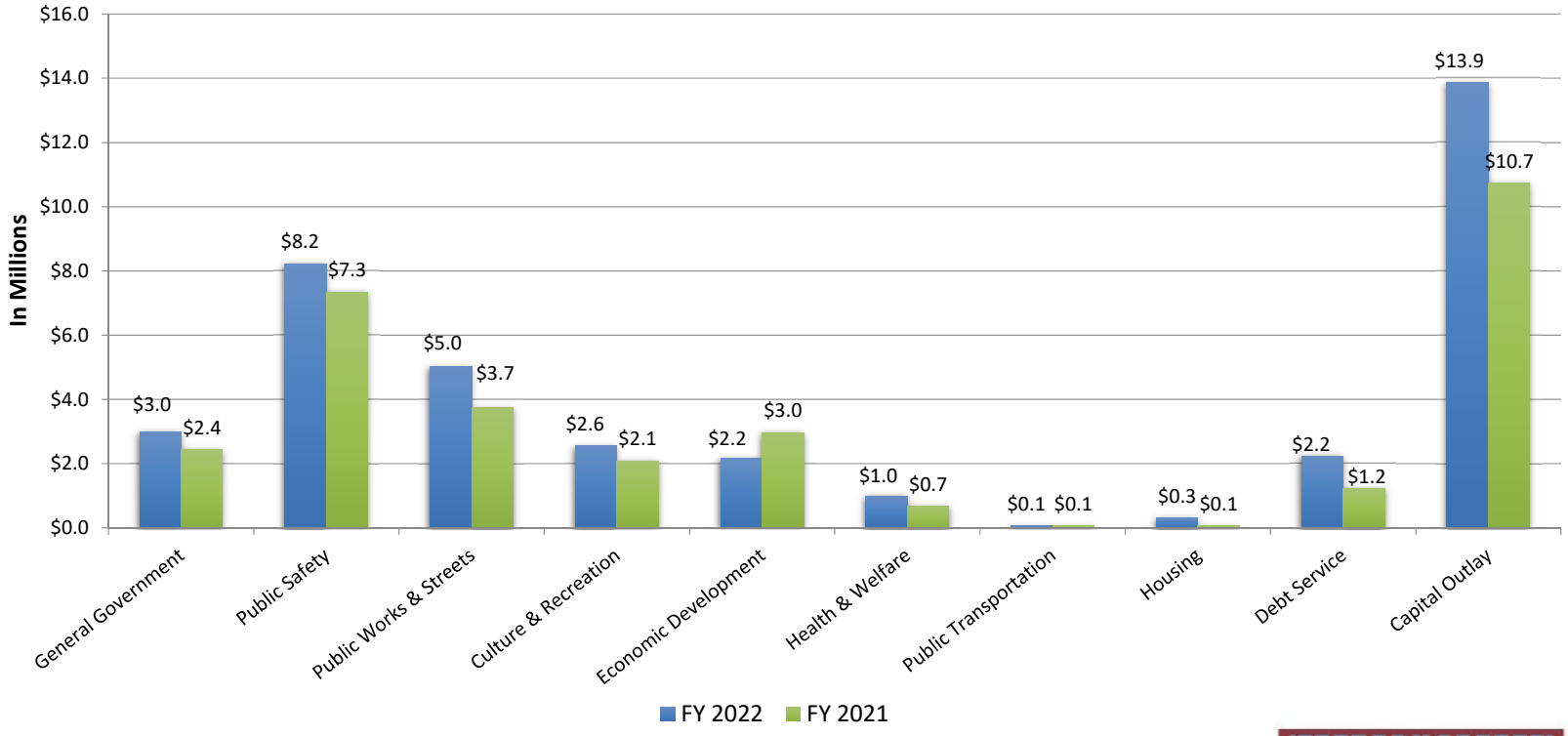
FY 2021 - $31.3 million



FY 21-22
ACFR

Governmental Expenditures by Function

ACFR pg. 37



FY 21-22 ACFR

CITY OF SEDONA

Governmental Expenditures by Function

ACFR pg. 37

Governmental Funds expenditures increased $7.1M or 23%

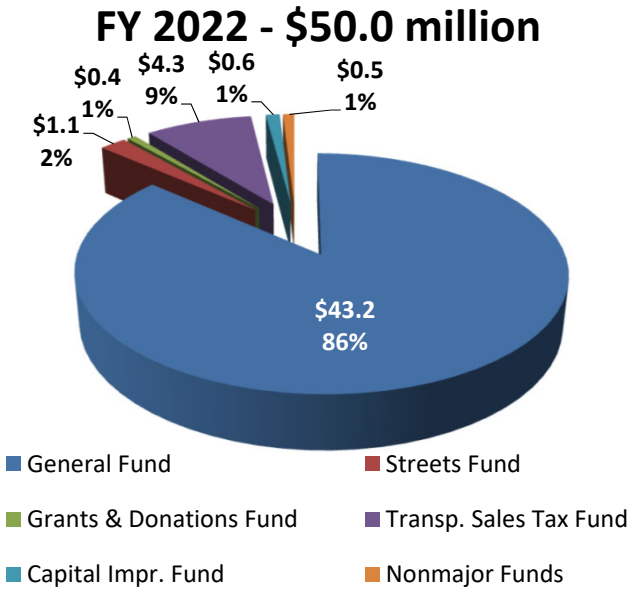
- General Government increased $0.5M (23%) primarily to expenditure and vacancy freezes during a portion of the prior fiscal year out of concern for possible negative financial impacts of the COVID-19 pandemic and ongoing turnover.
- Public Works & Streets increased $1.3M (34%) due to resumption of maintenance projects that were delayed during the prior year, costs due to a significant storm event in July 2021, vacancy savings from the prior year, and added staff capacity.
- Culture & Recreation increased $0.5M (22%) due to resumption of maintenance projects that were delayed during the prior year, resumption of special events and recreation programs that were canceled during the prior year, and reopening of the public swimming pool that was closed during the prior year.
- Economic Development decreased $0.8M (-27%) primarily due to one-time funding to the Sedona Chamber of Commerce & Tourism Bureau to pay off the loan balance of the Jordan Road property and to execute a transfer of title to the City in the prior year, as well as a decrease in the tourism management program including elimination of destination marketing.
- Health & Welfare increased $0.3M (49%) due to expansion of the sustainability program including added staff capacity, addition of an energy retrofit/rebate program, and addition of a curbside yard waste program.
- Housing increased $0.2M (351%) due to grant-funded expenses related to transitional housing for the homeless and the hiring of a housing manager position.
- Debt Service increased $1.0M (80%) due to bond issuance costs of $0.4M and an accrual of interest of $0.3M for the Series 2022 bonds, new leases entered into during FY 2022 including the former school district administrative site, and first payments on several financed purchases including the Police Department in-car and body-cam video system, police vehicles, and the street sweeper.
- Capital Outlay increased $3.1M (29%) due to an increase in CIP expenditures. Most significant projects were the police station remodel/ expansion ($1.8M), Forest Road extension ($3.7M), Posse Grounds parking improvements and Soldiers Pass shared-use path ($1.4M), and Shelby Drive/Sunset Drive improvements ($1.6M.

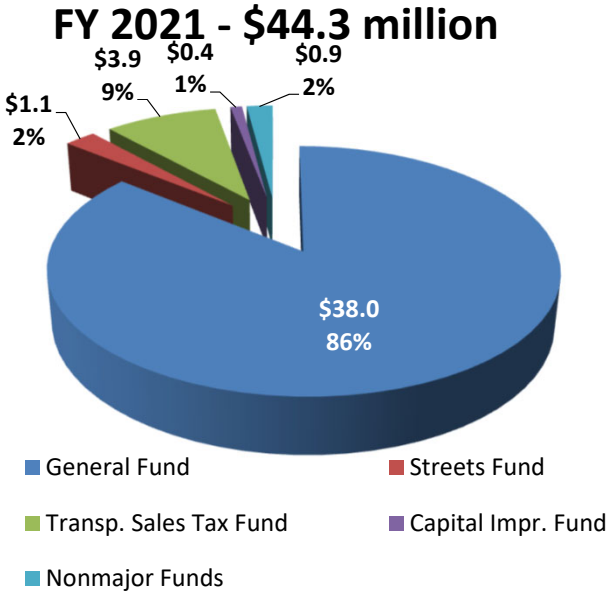
FY 21-22 ACFR

CITY OF SEDONA

Governmental Revenues by Fund

ACFR pg. 37



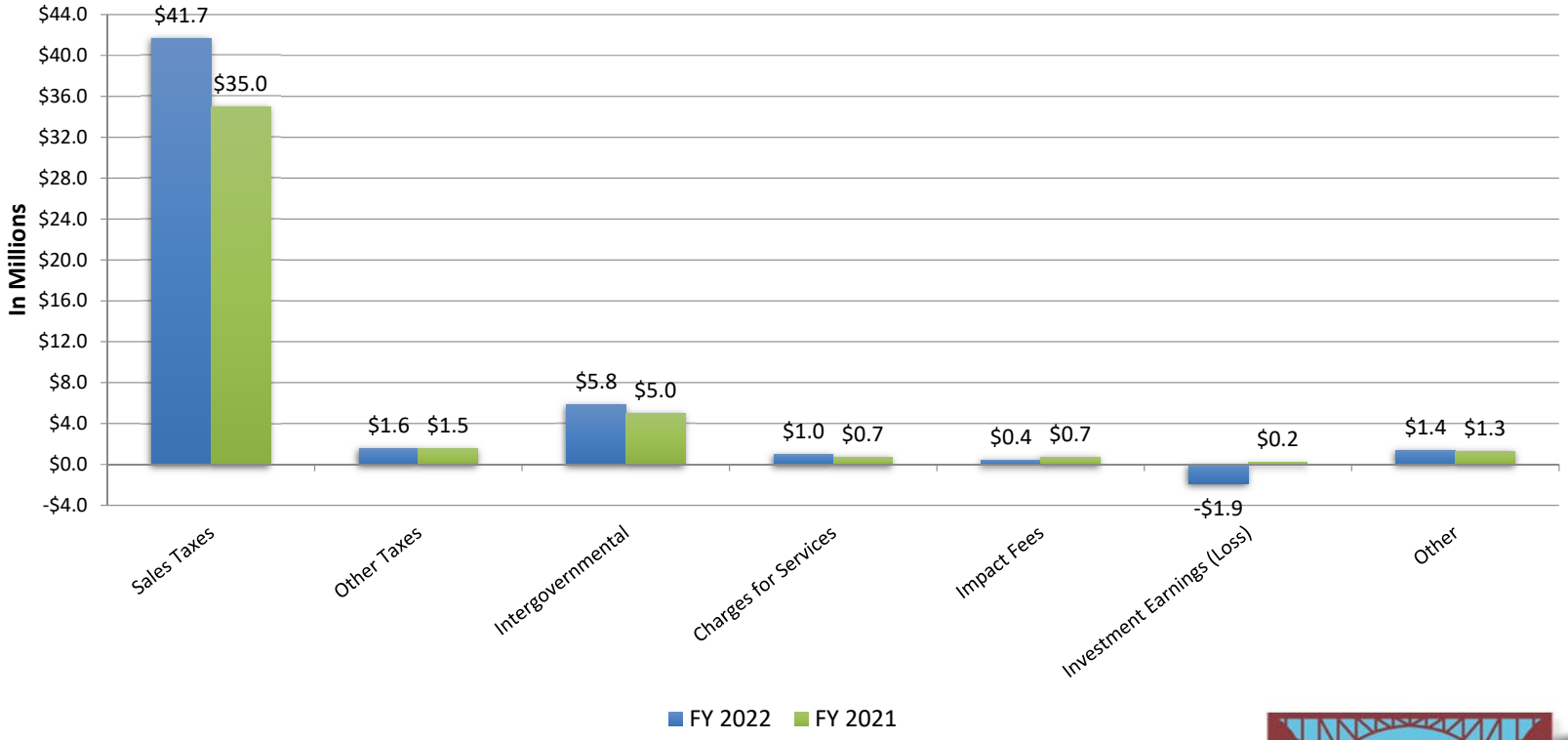


FY 21-22
ACFR

CITY OF SEDONA

Governmental Revenues by Source

ACFR pg. 37



FY 21-22
ACFR

Governmental Revenues by Source

ACFR pg. 37

Governmental Funds revenues increased $5.7M or 13%

- Sales Taxes increased $6.7M (19%) as a result of the significant increases in tourism since the COVID-19 pandemic.
- Charges for Services increased $0.3M (49%) due to an increase in paid parking revenues related to suspended fees in the prior year, increases in plan review revenues, and resumption of recreation programs that were suspended during the prior year.
- Impact Fees decreased $0.3M (-40%) due to significant one-time fees for large development project received during the prior year.
- Investment earnings (loss) decreased $2.1M (-1,088%) due to due to unrealized losses in the fair value of investments. The City has no plans to sell these investments at a loss and expects to hold them to maturity.

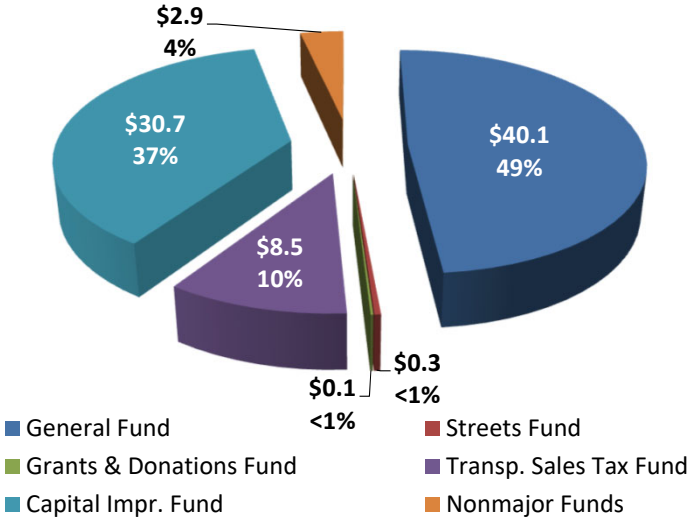
FY 21-22 ACFR

CITY OF SEDONA

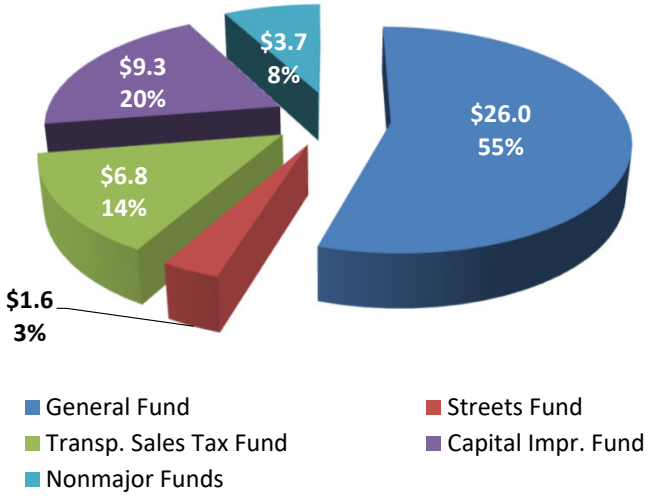
Governmental Fund Balances

ACFR pg. 35 & 37

FY 2022 - $82.6 million



FY 2021 - $47.4 million



FY 21-22
ACFR

Governmental Fund Balances

ACFR pg. 35 & 37

Governmental fund balances increased $35.2M or 74%

- The General Fund balance increased $14.1M (54%) largely due to an increase in sales tax revenue of $6.0M as a result of the significant increases in tourism since the COVID-19 pandemic, as well as the ongoing funding structure to utilize General Fund resources to provide subsidies to other funds and provide resources for significant upcoming initiatives.
- The Streets Fund balance decreased $1.3M (-81%) due to the consolidation of all streets maintenance costs within the fund.
- The Transportation Sales Tax Fund balance increased $1.7M (26%) due to an increase in sales tax revenue and reduction of transfers to the Capital Improvements Fund due to the issuance of excise tax revenue bonds for transportation projects to better manage cash flows during a period of significantly increasing construction costs.
- The Capital Improvements Fund balance increased $21.7M (229%). In March 2022, the City issued $21.6 million, with $3.8 million in premium, in excise tax revenue bonds for transportation projects. The City has been experiencing significant increases in construction costs and continues to project further increased cost levels. In order to better manage cash flows and take advantage of lower interest rates prior to predicted multiple rate hikes, the City chose to debt finance several projects.
- The nonmajor funds balance decreased $0.7M (-20%) as a result of planned capital projects paid by development impact fees.

FY 21-22 ACFR

CITY OF SEDONA

Governmental Fund Balance Reserves

ACFR pg. 35, 53-54, 59, & 68

Nonspendable fund balances $1.9M

- Long-term loans receivable $1.8M for Sunset Lofts and down-payment assistance program
- Prepaid items $0.1M

Restricted fund balances $23.1M

- Balance of bond proceeds $19.7M
- Parks development impact fees $2.7M
- Other $0.7M

Committed fund balances $9.9M

- Transportation sales tax $8.5M
- PSPRS unfunded liability $1.0M
- Other $0.4M

Assigned fund balances $32.6M

- Capital reserves and General Fund surplus allocated to capital $22.1M
- General Fund surplus allocated to transit $5.0M
- Affordable housing and General Fund surplus allocated to affordable housing $3.5M
- Equipment replacement reserve $1.3M
- Other $0.8M

Unassigned fund balances $15.2M

- General Fund $15.7M - $8.3M represents surplus to be allocated during FY 2024 budget process
- Other funds $(0.6M)

FY 21-22 ACFR

CITY OF SEDONA

General Fund Transfers to Other Funds

ACFR pg. 37 & 62-63

	Subsidies/ Support
Ongoing	
Streets Fund subsidy	$ 195,564
Wastewater Fund subsidy	3,300,000
Affordable Housing support – Intrafund Transfer	500,000
Capital Improvements Fund support	2,500,000
Verde Shuttle costs in Transit Fund	170,147
Paid parking program costs in IT Fund	26,899
One-Time	
Strategic land acquisition – portion of FY19 surplus	1,854,921
Affordable Housing support – portion of FY20 surplus – Intrafund Transfer	1,796,321
Less Intrafund Transfers	(2,296,321)
Totals	$8,047,531

FY 21-22 ACFR

CITY OF SEDONA

General Fund Budget Summary

ACFR pg. 39

Sales tax revenues over budget by $4.2M

- Continued increases in tourism since the COVID-19 pandemic

Bed tax revenues over budget by $1.9M

- Continued increases in tourism since the COVID-19 pandemic

Investment earnings (loss) under budget by $1.3M

- Unrealized losses in the fair value of investments. The City has no plans to sell these investments at a loss and expects to hold them to maturity.

FY 21-22 ACFR

CITY OF SEDONA

General Fund Budget Summary

ACFR pg. 39

Unspent contingencies $2.6M

City Manager's Office expenditures under budget by $1.0M

- Delays in implementation of expanded programs for sustainability, delays in implementation of proposed
- Delays in implementation of proposed housing programs and hiring of a housing manager, and savings in the tourism management program
- Savings in the tourism management program

Community Development expenditures under budget by $0.2M

- Timing of costs related to the required 10-year update to the City's Community Plan

Police expenditures under budget by $0.2M

- Vacancies and delays in filling added positions

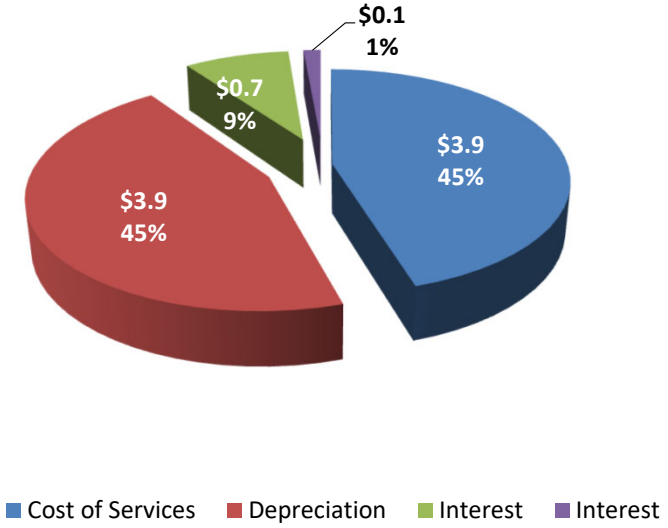
FY 21-22 ACFR

CITY OF SEDONA

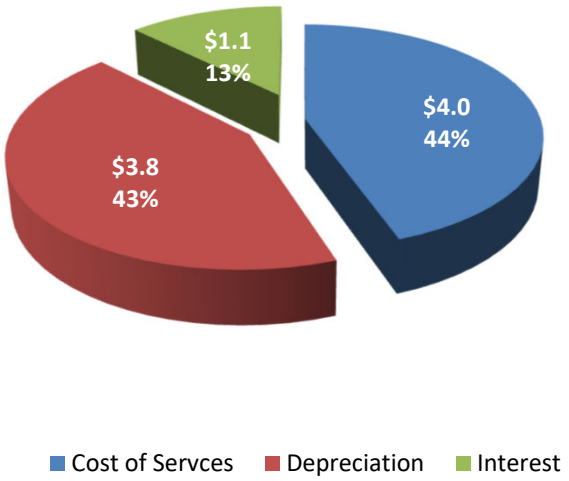
Wastewater Fund Expenses by Type

ACFR pg. 44

FY 2022 - $8.6 million



FY 2021 - $8.9 million



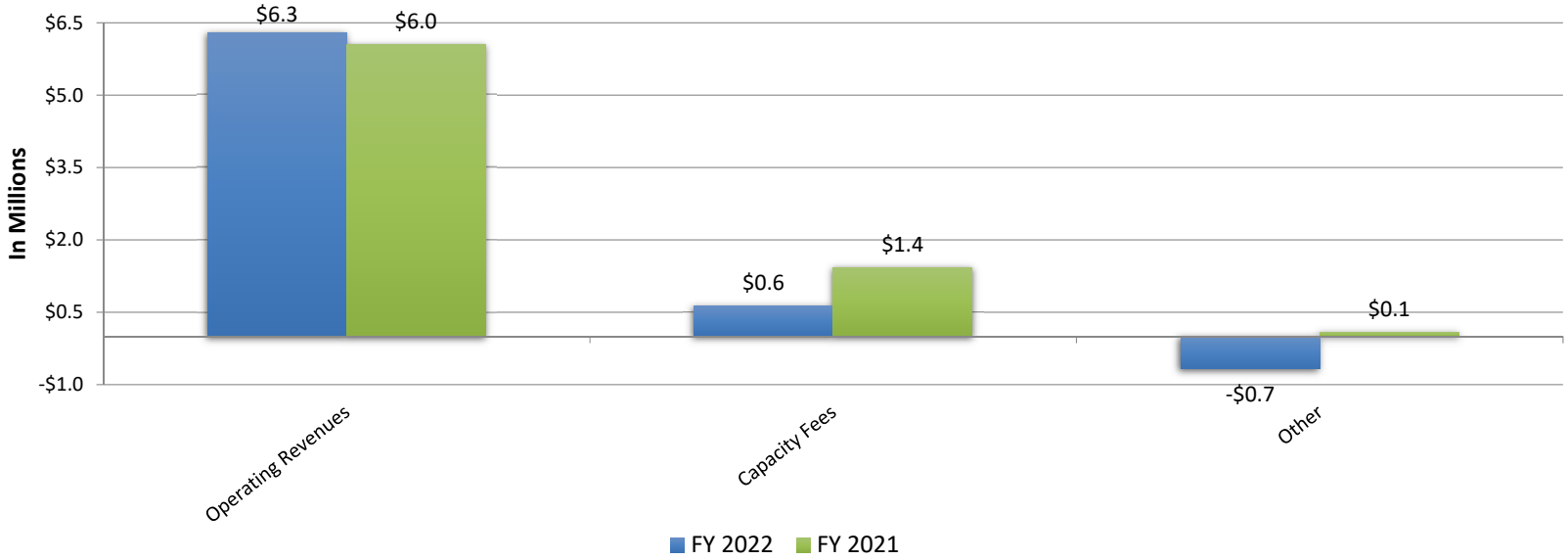
<u>Wastewater Fund expenses decreased $0.3M or 4%.</u>

- Interest expenses decreased $0.4M (-35%) due to the refunding of the Series 2012 Bonds and a reduction of costs associated with the Series 1998 Bonds as principal is paid off.

FY 21-22
ACFR

Wastewater Fund Revenues by Source

ACFR pg. 44



Wastewater Fund revenues decreased $1.3M or -17%.

- Capacity fee revenues decreased $0.8M (-56%) due to a reduction of significant one-time capacity fees received during the prior year related to a large commercial construction project.
- Other revenues decreased $0.8M (-928%) due to unrealized losses in the fair value of investments. The City has no plans to sell these investments at a loss and expects to hold them to maturity.

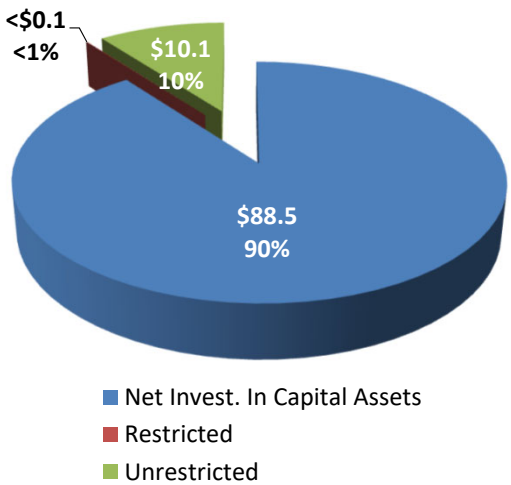
FY 21-22 ACFR

CITY OF SEDONA

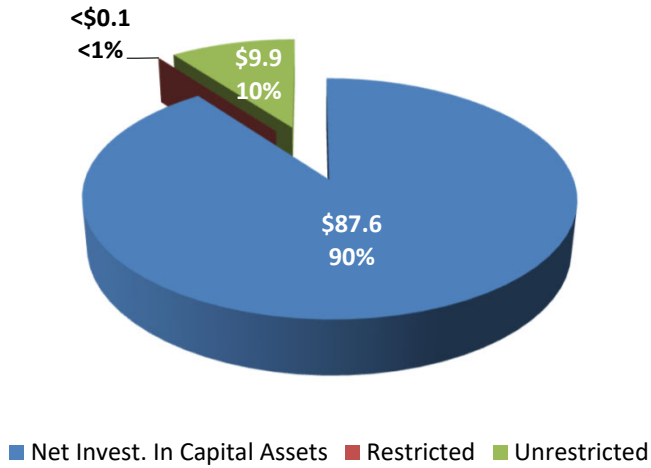
Wastewater Fund Net Position

ACFR pg. 43 & 44

FY 2022 - $98.9 million



FY 2021 - $97.5 million



<u>Wastewater Fund net position increased $1.1M or 1%.</u>

- Net investment in capital assets increased $0.9M (1%) primarily due to capital assets added during the fiscal year, including construction in progress for the SR179 sewer main replacement.

FY 21-22 ACFR

CITY OF SEDONA

Wastewater Fund Budget Summary

ACFR pg. 100

Capacity Fees under budget by $0.3M

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

Investment Earnings (Loss) under budget by $0.8M

- Unrealized losses in the fair value of investments. The City has no plans to sell these investments at a loss and expects to hold them to maturity.

Supplies & Other expenditures under budget by $0.3M

- Delays in maintenance and equipment replacement costs as well as unused placeholders for any urgent maintenance needs

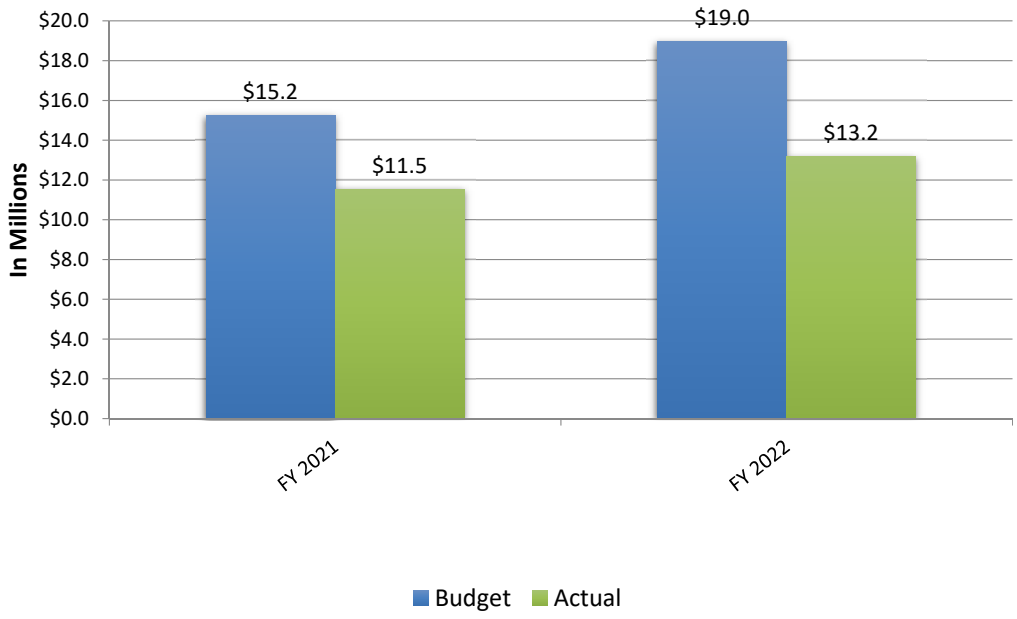
Capital Outlay expenditures under budget by $1.6M

- Delays in CIP projects such as the major lift station upgrades that were impacted by substantially higher inflationary factors that anticipated.

FY 21-22 ACFR

CITY OF SEDONA

Total CIP Expenditures Budget Comparison

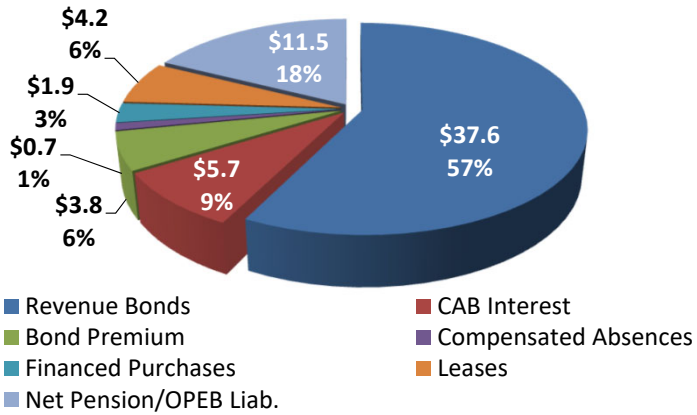


FY 21-22
ACFR

Long-Term Obligations

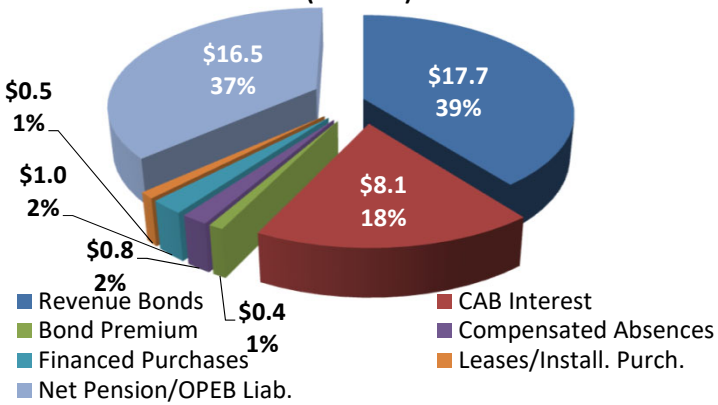
ACFR pg. 27-28 & 63-67

FY 2022 - $65.4 million



FY 2021 - $45.1 million

(restated)



<u>Long-term obligations increased $20.3M or 45%.</u>

- Revenue bonds increased $19.8M (112%) due to the issuance of the Series 2022 Bonds.
- Interest on capital appreciation bonds decreased $2.4M (-30%) due to scheduled bond interest payments made during the year.
- Bond premium increased $3.4M (779%) due to the issuance of the Series 2022 Bonds.
- Financed purchases increased $0.9M (90%) primarily due to the inception of the financed purchase for the trailhead shuttles.
- Leases increased $3.8M (799%) due to the inception of the lease for the trailhead shuttle parking lot and the lease of the school district admin site.
- Net pension/OPEB liability decreased $5.0M (-30%) due to a decrease of $2.8M (-26%) in the ASRS unfunded liability and a decrease of $2.2M (-37%) in the PSPRS unfunded liability.

FY 21-22 ACFR

CITY OF SEDONA

Pledged Revenue Coverage

ACFR pg. 66 & 116

Excise tax revenues pledged to pay revenue bonds

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

Minimum required coverage = 1.5 times

FY 2022 revenue coverage = 7.5 times

FY 21-22 ACFR

CITY OF SEDONA

Expenditure Limitation Summary

AELR pg. 2

	FY 2022
Expenditure limit	$71,692,873
Expenditures subject to limit	54,714,763
Amount under limit	$16,978,080

FY 21-22
ACFR

CITY OF SEDONA

Audit Results

FY 21-22
ACFR

Questions?

FY 21-22
ACFR

CITY OF SEDONA

CITY COUNCIL AGENDA BILL

AB 2908
January 10, 2023
Regular Business

Agenda Item: 8b
Proposed Action & Subject: Presentation/discussion and update from Tread Lightly! Executive Director, Matt Caldwell, on the accomplishments and educational outreach done by Tread Lightly! and the Red Rock OHV Conservation Crew (RROCC) to help mitigate the impacts of OHVs within the greater Sedona area.

Department	City Manager
Time to Present	15 minutes
Total Time for Item	45 minutes
Other Council Meetings	N/A
Exhibits	A. Red Rock OHV Conservation Crew Power Point

City Attorney Approval	Reviewed 1/3/23 KWC
City Manager's Recommendation	For information and discussion only.

Expenditure Required	
$	N/A
Amount Budgeted	
$	N/A
Account No. (Description)	
Finance Approval	☒

SUMMARY STATEMENT

Background: Matt Caldwell, Executive Director of Tread Lightly!, will provide and update on the accomplishments and projects and educational outreach done by members of the Red Rock OHV Conservation Crew to help mitigate the impacts of OHVs in the past year.

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

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

Alternative(s):

MOTION

I move to: for presentation and discussion only.

Year-in-Review

January 10, 2023

Who is RROCC?

In 2021, a group of Sedona rental and tour companies collaborated to address Off-Highway Vehicles ("OHV") trail issues, which led to input from representatives from the U.S. Forest Service, the Sedona Chamber of Commerce, Tread Lightly! and other community leaders. The Red Rock OHV Conservation Crew ("RROCC") was established as a reference name for the group, with the purpose of creating solutions for OHV-related issues in the greater Sedona area, but RROCC is not a formal, business entity.

Several independent businesses that participate in the RROCC meetings have made contributions/donations to the nonprofit, 501(c)(3) organization, Tread Lightly! All contributions are voluntary, and no organization is under any obligation to contribute or donate to Tread Lightly!

Tread Lightly! has agreed to work with these independent businesses to provide support for stewardship and educational opportunities related to OHV use in the greater Sedona area. The contributions/donations received by Tread Lightly! from RROCC participants are earmarked for greater Sedona area specific work, until which time that each of these individual businesses specifies otherwise.

This support from Tread Lightly! will continue as funding allows. It should also be noted that these contributions and donations provide required matching funds for grant funding that allows Tread Lightly! to bring additional public and private funding to the greater Sedona area.

RED ROCK OHV CONSERVATION CREW
A SEDONA CHAMBER PARTNERSHIP

Who is RROCC?

RED ROCK OHV CONSERVATION CREW

A SEDONA CHAMBER PARTNERSHIP

A Day in the West

Arizona Safari Jeep Tours

Earth Wisdom Jeep Tours

Flagstaff ATV Rentals

New River Off Road Rentals

Pink Jeep Tours

R4 Off-Road

Red Rock ATV Rentals

Outback ATV Rental

Sedona Offroad Adventures

Red Rock Western Jeep Tours

Sedona ATV

Barlow

Vortex ATV Rental

Trail Engagement

Investment - $7,500 (tents, educational materials)

Speed Signage Project

Investment - $2,500

RED ROCK OHV CONSERVATION CREW
A SEDONA CHAMBER PARTNERSHIP

Donut Hole Project (152A) - March

Investment - Volunteer Hours

Donut Hole Project (152A) - June

Investment - $17,000

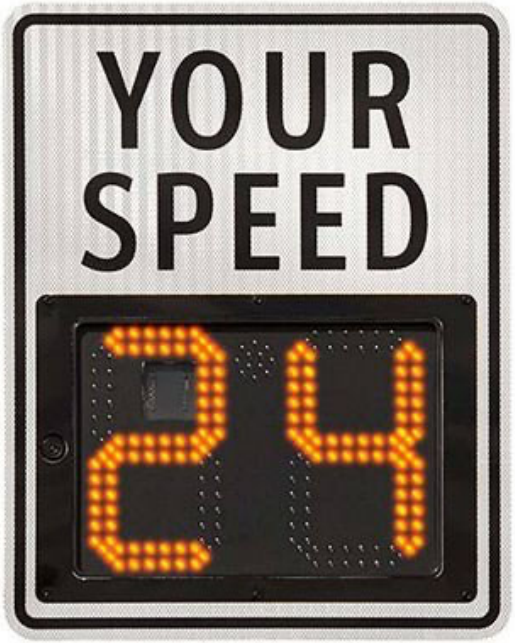
RED ROCK OHV CONSERVATION CREW
A SEDONA CHAMBER PARTNERSHIP

Radio and Digital Advertising

Investment - $10,000 (RROCC and Tread Lightly!)

RED ROCK OHV CONSERVATION CREW
A SEDONA CHAMBER PARTNERSHIP

Digital Speed Signage Project



Morgan Road – purchased by Pink Jeep for City of Sedona

Morgan Road – leased by Pink Jeep for City of Sedona

Investment - $11,400 (two YOUR SPEED signs) and $5,600 (informational signage)

UTV Rental Flags

Investment - $4,000

Ranch Loop Project

Investment – Volunteer Hours

Kiosk Project - May

Investment - $6,000 (Ford – Bronco Wild Fund)

RED ROCK OHV CONSERVATION CREW
A SEDONA CHAMBER PARTNERSHIP

Kiosk Frames
Investment - $7,000 (Polaris)
RED ROCK OHV
CONSERVATION
CREW

Diamondback Gulch (152A) Signage

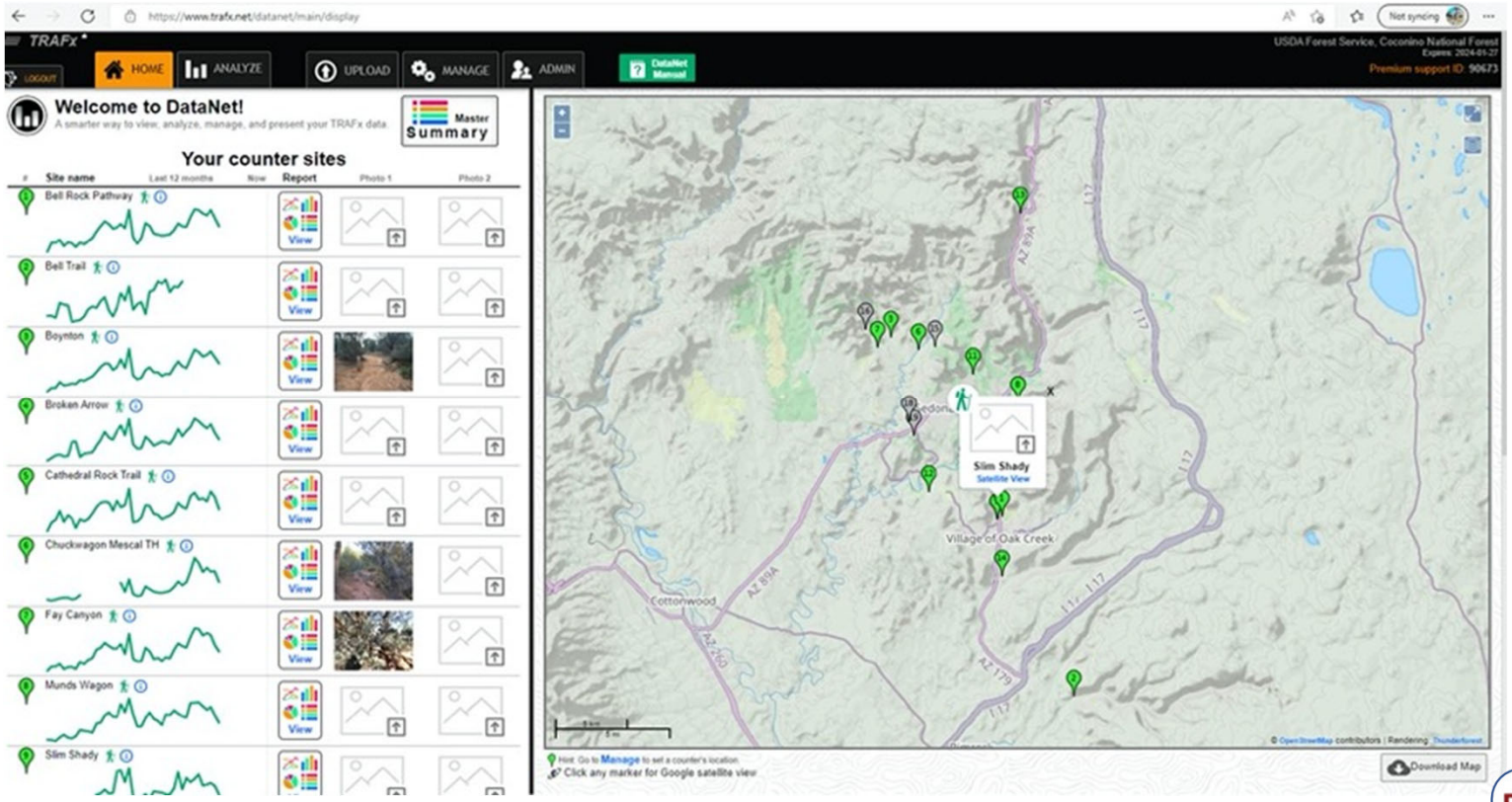
Investment - $750

RED ROCK OHV CONSERVATION CREW
A SEDONA CHAMBER PARTNERSHIP

Outlaw Trail – User Created Routes

Investment - $650

Trail Counters



Investment - $9,000

USFS GS5s

Investment - $40,000

Total Investment

Materials and Support

- Signs, fencing, educational materials, outreach assets, videos and advertising
- $115,000 (RROCC + Partners)

Volunteer Hours

- 400+ Hours
- $12,000 ($29.95 per hour)

Tread Lightly! Hours

- 400+ Hours

RED ROCK OHV CONSERVATION CREW
A SEDONA CHAMBER PARTNERSHIP

CITY COUNCIL AGENDA BILL

AB 2909
January 10, 2023
Regular Business

Agenda Item: 8c
Proposed Action & Subject: Presentation/discussion from Sedona Red Rock High School Students regarding their Civic Action Projects.

Department	Communications
Time to Present	45 minutes
Total Time for Item	45 minutes
Other Council Meetings	N/A
Exhibits	N/A

City Attorney Approval	Reviewed 1/3/23 KWC
City Manager's Recommendation	For information and discussion only.

Expenditure Required	
$	N/A
Amount Budgeted	
$	N/A
Account No. (Description)	
Finance Approval	☒

SUMMARY STATEMENT

Background: As part of the curriculum in the Sedona Red Rock High School government class, junior and senior year students put together a Civic Action Project, which included developing proposals to address a local issue of their choice. This year, their teacher, Katherine Hill, coordinated with City staff to have several students present their projects to the City Council, which will be on a range of topics including traffic and short-term rentals for example.

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

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

Alternative(s): n/a

MOTION

I move to: for presentation and discussion only.

CITY COUNCIL AGENDA BILL

AB 2898
January 10, 2023
Regular Business

Agenda Item: 8d
Proposed Action & Subject: Discussion/possible action to approve the site selection for the permanent Sedona Loop Disc Golf Course at Posse Grounds Park.

Department	Parks and Recreation
Time to Present	15 minutes
Total Time for Item	60 minutes
Other Council Meetings	N/A
Exhibits	A. Map B. UDisc & Google Maps Course Ratings

City Attorney Approval	Reviewed 1/3/23 KWC
City Manager's Recommendation	Approve the proposed site location for the permanent Sedona Loop Disc Golf Course at Posse Grounds Park.

Expenditure Required	
$	8,000
Amount Budgeted	
$	8,000
Account No. (Description)	10-6242-23-6243 (One-Time Special Supplies)
Finance Approval	☒

SUMMARY STATEMENT

Background:

There are more than 11,500 disc golf courses around the world; 60% of courses are in multi-purpose public parks, 91% of courses are free to play, and there are just under 9,000 permanent disc golf courses in the United States with 190 in the state of Arizona.

Disc Golf has gained popularity, in part, as it is affordable and accessible. Equipment can be purchased for less than $20 and can be used for many years. In addition, the sport can serve a wide, diverse group of users, ranging from all levels of play and ages, while averaging walking over 3 miles during an 18-hole disc golf round. Disc golf is one of the world's fastest growing sports and drastically increased in popularity during the pandemic. It introduces players to the outdoors while being physically active in an unintentional way, making the sport attractive to all, regardless of age or athleticism.

Other benefits of the sport include:

- It gets people outside and exposes them to the park system and healthy outdoor activities, while maintaining an intact trail system.
- It is minimally invasive, involves no removal of vegetation, and utilizes existing trails with minimal off trail usage.
- It is a great activity for people to stay active while being socially distant outdoors, is easy to learn and inexpensive.
- The vast majority of disc golf courses are shared use and include hiking/biking/skiing areas in addition to disc golf. Park user etiquette is posted and promoted to be aware of others while playing the course or using the trails.

The Sedona Parks and Recreation Department (Department) has received requests for many years to consider installing a disc golf course in Sedona due to the lack of courses in the area. The nearest courses are in Flagstaff and Cottonwood. Flagstaff is home to 7 public disc golf courses and is scheduled to host the Disc Golf World Championships July 11-15, 2023, using 6 of the courses. Cottonwood's Riverfront Park Course, a permanent 18-hole course, is the most used amenity in the park.

In December 2021, the Department introduced a new program, December Disc Golf Days, offering a temporary 5 hole disc golf course on the Posse Grounds athletic fields. The course was set up for the month of December and allowed users to play at any time during park hours. In an effort to capture usage data, users were encouraged to register on the parks and recreation online system Sportsites each time they played, but it was not required. In addition, the temporary course was set up on UDisc, an all-in-one disc golf app that offers disc golfers access to information on courses, including routes, distances, and reviews. This also assists courses with tracking usage, but only does so if the user checks in.

2021 December Disc Golf Days program:

- Sportsites had a total of 37 registrants/visits to the course:
    - 15 - Sedona Residents
    - 1 – Village of Oak Creek
    - 14 - Cottonwood
    - 1 - Clarkdale
    - 1 - Charlotte, NC
    - 1 - Fargo, ND
    - 3 - Flagstaff
    - 1 - Prescott Valley
- UDisc recorded 90 rounds of play during December.

At the time this program was offered, the Department was housed at Posse Grounds Park within view of the course and staff saw a continued use of the course. The numbers recorded by Sportsites and UDisc are low compared to the high use seen by the Department during the program.

<u>SEDONA LOOP TRAIL TEMP COURSE</u>

December Disc Golf Days was a huge success and supported the effort to pursue a more permanent application. In mid-January 2022, the Department installed 6 baskets to create a temporary 6-hole course in Posse Grounds Park and to determine the feasibility of a permanent amenity. The course was installed north of the Sedona Community Pool just above Soldier's Pass Road where it remains to date. This is known as the Sedona Loop Trail Temp Course.

The site location was determined based on the following:

- **Space** – A vast amount of space is needed for a course, which Posse Grounds Park/current location provides.
- **Shared Use** – Location allows shared use of the vast space. The location must align with other park users; there is no better location within the park to accommodate this type of use due to other park facilities and amenities that already exist and/or are planned. As an example, shared use in the bike park would pose higher risk and conflict to both users due to the high speed of bike riders.
- **Hazards** – Hazards in golf lingo are preferred for a course. This allows users a more challenging and engaging experience rather than in an open field.
- **Site** - Ideally a site should have established use/trails to mitigate impact on natural lands. The goal is to avoid installing in a location that is pristine/unused. Additionally, the current location is on undeveloped park land that has not been earmarked or identified for another future use. Installing a disc golf course ultimately protects the area from being considered for development as another type of park amenity (parking, pickleball courts, etc.) and allows the area to remain in its natural state with minimal impact.
- **View** – The views at this location are phenomenal. Those that use the disc golf course will be able to have a better experience with the breathtaking views than if the location were mainly adjacent to a road/homes or middle of park amenities.
- **Access** – Proximity to parking is beneficial.

The temporary 6 basket course design took into consideration all of the potential risks in the area, including terrain, possible conflicts with other park users, neighboring residents and site impact. Signs are posted at the entry point and throughout the course, including map/course route, basket locations, warnings and notice to use the UDisc app. In addition, warning signs are posted at the course boundary for all park users when approaching/entering the designated disc golf course area.

After the temporary 6 basket disc golf course was installed, the city and Department received complaints/concerns from a few area residents and trail users. These complaints/concerns included:

- Area terrain/cliffs
- Proximity to homes
- Conflict with other users/flying discs
- Impact to wildlife and park land
- Sound

In an effort to consider each of the concerns, and to gain a second opinion, the Department coordinated a site visit with Coconino County staff who has experience installing and managing the Fort Tuthill Disc Golf Course. We requested input on the course design, existing trail usage and land impact. They had identified the same potential risks and constraints in the area as staff had determined during design, all of which had been addressed and alleviated in the temporary course design. Only one small adjustment was made to basket number 6, moving the basket approximately 10 feet further away from a trail and in front of a bush to add another level of safety, and mitigating a potential conflict between trail and disc golf users.

Since January 17, 2022, the temporary course has garnered the following stats on UDisc:

Note: UDisc estimates the actual amount of players is 5X the amount that actually record their round (especially in new disc golf communities where people haven’t heard of UDisc previously). Therefore, these numbers are a fraction of actual use.

- November 2022 –

    - 99 players played and recorded rounds in November.
    - 44 Unique players scored rounds in November.
- January 17 through December 26, 2022 -
    - 1,291 rounds have been recorded.
    - 418 Unique individuals have recorded rounds.
- Sedona Loop Trail Temp Course has 205 unique players that have rated the course, with it currently rated 4.2 out of 5 (Impressive for it being a temporary 6-hole course). The majority of those giving the course a low ranking was based on it being a 6-hole, small course.

The temporary course is approaching its one-year anniversary. To date, there have been no incidents reported associated with use of the disc golf course.

During the use and install of the temporary course, area disc golfers have been highly engaged and have been instrumental by providing support for design and alleviating concerns – for disc golfers, other park users and park neighbors. The design team includes area disc golfers, a municipal planner and Coconino National Forest Service Trails/Wilderness/OHV Coordinator, all of whom provided input from their respective point of view.

In development of the design of the proposed permanent course, USFS Trails/Wilderness/OHV Coordinator assessed the site and course design for soil erosion and impact concerns. He determined that there is little concern due to the type of soil, terrain and vegetation in the area and within the course route. He suggested some minor adjustments including vegetation trimming which will be implemented.

Once the design team finalized the draft of the proposed permanent course, staff then introduced a work group comprising of the design team and other interested parties to meet and review the proposed 9 basket permanent course. Invitations were extended to the 5 individuals who submitted complaints/concerns on the temporary 6-hole course, resulting in 4 out of the 5 participating in the work group.

Staff presented the proposed course and from the work group the following was garnered –

The work group supported and concurred:

- 50-foot buffer boundary from residents along park property
- Keep away from steep terrain and cliffs
- The course adds an extra level of protection from future development/other use although not guaranteed
- Develop and maintain pathways, keeping course route away from; separation of the course and trail system.

Additional items generated that will be implemented:

- Importance of good signage
    - Include graphics/images
    - Map to guide players through course, keeping them on designated paths
    - Warnings – use of images like snakes or bobcats
    - Signage examples include -
        - entering flying disc zone
        - residential area, be respectful
        - quiet zone
    - Provide rules/education to protect animals and manage interactions with hikers

    - Rugged, unlevel terrain, wear proper footwear
- Set protocol for trail etiquette – horses, hikers, bikers, disc golfers at entry
- Noise from basket chains - to soften disc noise, alterations will be integrated into basket systems.
- Add a practice basket at entry
- Install baskets/tee boxes temporarily to allow for minor adjustments prior to concrete installation.

In review of the city's inventory of parks, Posse Grounds Park is the only park property that provides and meets the needs to allow for a permanent 9-hole disc golf course. Posse Grounds Park offers close to 80 acres of dedicated park land, with tens of acres undeveloped. The area proposed offers terrain, hazards, and space that make for a great disc golf course.

PERMANENT COURSE

Staff proposes:

- Initially, the plan is to install 9 baskets, with a course designed with 9 tee pads.
- The ultimate plan is for an 18-hole course, utilizing 9 baskets. Additional tee boxes may be added in the future to improve experience and will be placed in the same strategic manner to eliminate concerns (buffer from homes, throw direction, etc.).
- The location of tee pads, baskets and walking routes have been placed strategically with the objective to avoid and minimize effects to natural resources and the environment. Established social/wildlife paths were used in the course route.
- Some tree branches/brush may need to be trimmed and dead trees/brush may need to be removed for safety purposes.
- Course is designed away from cliffs/large drops and other area park users to avoid conflicts.
- Tee pads and baskets will be placed strategically when near homes bordering park property line, utilizing trees or brush to obscure the view of the tee pads/players.
- Baskets will be permanently affixed using a sleeve set in concrete.
- Tee pads will be approximately 5'x8' concrete pads, using Sedona red color concrete to blend in with the surrounding landscape.
- A buffer zone of at least 50 feet from tee pads and/or baskets to park property line neighboring with residents. The current design provides a buffer of over 100 feet.
- Directional throws are away from other activities.
- The existing loop trail will be rerouted/designated outside of the disc golf course area. The area designated as the disc golf course will be clearly defined and separated from the trail to inform trail users of potential conflict and risk.
- Signage will be installed at the course entry, throughout the course and the perimeter of the course. Signage will include rules, warnings, recommendations for use and educational components, including respecting private homes along the park boundary.
- Course will be day use only to minimize impact to neighboring residents and wildlife.
- The project will be performed in-house by Public Works Maintenance with assistance from Parks and Recreation staff and volunteers.
- There is potential for interpretive signage to be added in the future to further diversify the site and serve a larger variety of recreationalists that may not know how to play disc golf, including flora and fauna.

Staff is requesting City Council approval to install the permanent Sedona Loop Trail Disc Golf Course at Posse Grounds Park, located above Soldier's Pass Road, near the existing Sedona

Loop Trail, as shown in Exhibit B, with the potential to add 9 additional tee pads to expand the course to 18 holes. This disc golf course would provide a diverse and affordable outdoor recreation opportunity to all members of the public, which has experienced significant support during the temporary operation.

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

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

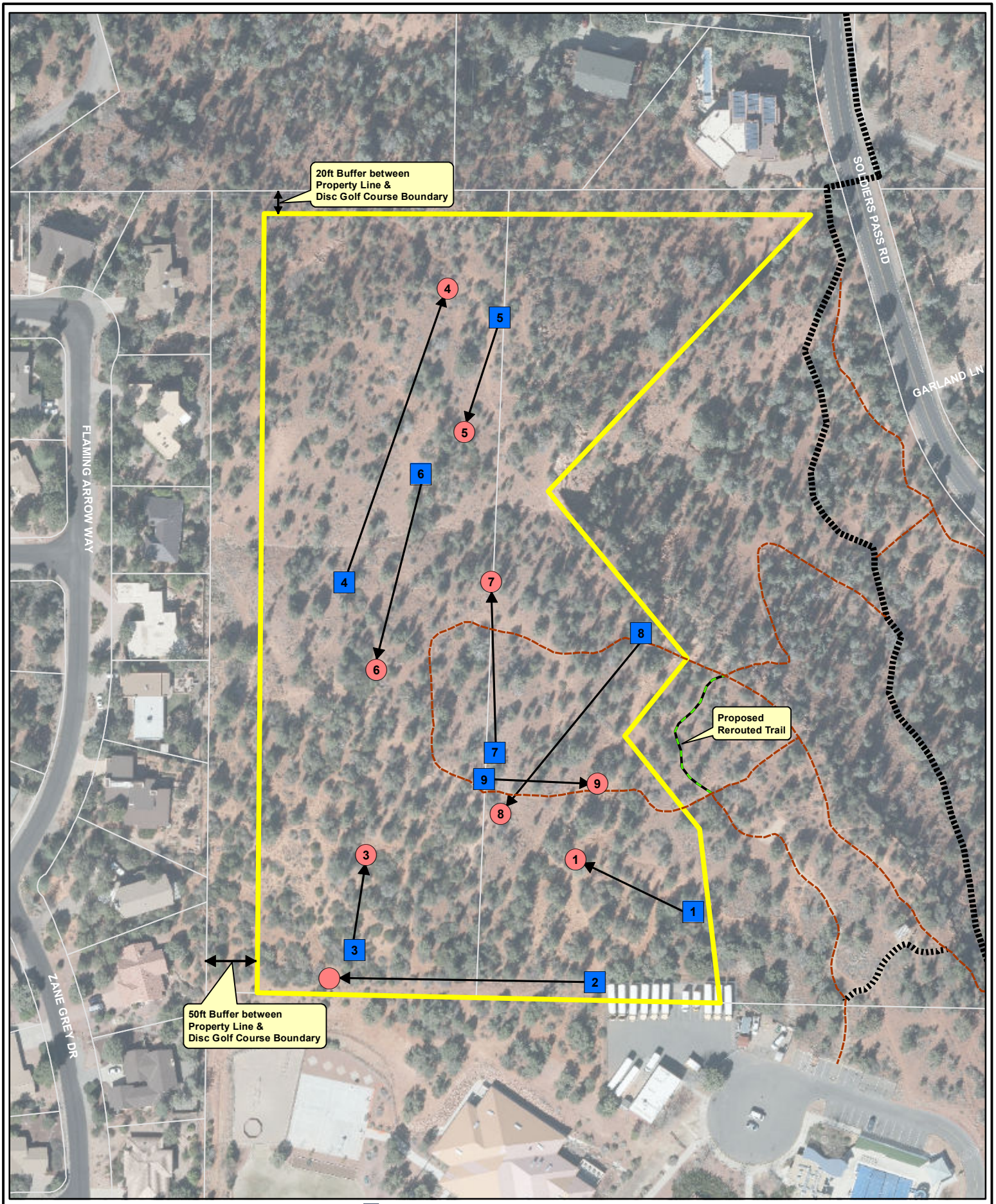
Alternative(s):

To not approve the proposed site location despite the fact 205 unique users have rated the site 4.2 out of 5 on UDisc and staff has received and continues to receive support for a permanent course at the site.

To consider another site location although staff has determined no other city park would be feasible for the amenity.

MOTION

I move to: approve the proposed site location for the permanent Sedona Loop Disc Golf Course at Posse Grounds Park.



Proposed Disc Golf Course

This map is designed to provide as-is information only. The data is not accurate to engineering or surveying standards. The City of Sedona is not liable or responsible for loss or damages rising from the data contained on this map.
GIS, City of Sedona. 11/02/2022. /p&r/staff/josh/discball/

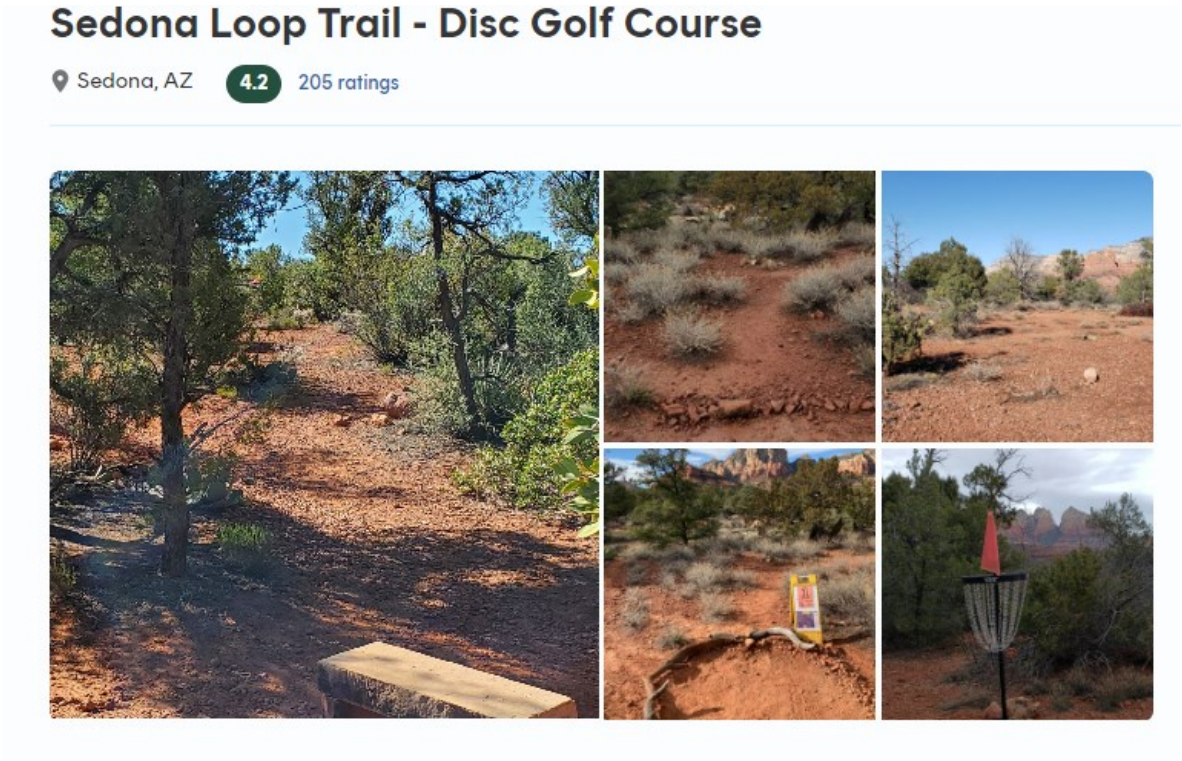
- Tee Box
- Basket
- Direction of Throw
- Proposed Disc Golf Course Boundary
- Parcel Boundary
- Proposed Rerouted Trail
- Shared Use Path
- Sldewalk
- Trail

0 80 160 Feet

Sedona Loop Trail Disc Golf Course—

Temporary 6 Hole Course

Course Reviews: UDisc & Google Maps



Cameron James Lau
Local Guide · 110 reviews

★★★★★ 9 months ago

This is not simply a disc golf course, it's a dazzling vista trail with disc golf as a bonus! Surrounded by beautiful flora and fauna and red rocks, you'll forget your score no matter how poorly you're doing, because who cares, you're in Sedona! That's not to say these six holes aren't worth playing though, no not at all. The placements are well thought out with some blind throws and elevation changes to keep you interested. Tee pads are made out of rocks (fits into the city's aesthetic) and signs are plastic but pretty good. The baskets, however, are the non-permanent, smaller kinds. Parking is free next to the swimming pool, so if you're a disc golfer and you're in town, there's no reason for you to not pay this place a visit.

Tony Basini
Local Guide · 89 reviews

★★★★★ 7 months ago

Probably the best 6 hole course I've ever played. It is like a hike, with disc golf thrown in. Beautiful picturesque vista's abound. There is plenty of desert fauna to see as well.
There are elevation changes and challenging lines you need to hit.
It is scorable and fun.

Dan Estrella
Local Guide · 20 reviews

★★★★★ 7 months ago

Beautiful view and good holes. Only 6 holes with further tees foe higher holes. UDisc app really helps find some of the tees and holes but they are mostly easily found.

2 Share

Dexter Nelson
Local Guide · 263 reviews

★★★★☆ 4 months ago

Kooky course. Fun.

2 Share

Kelsea Freeman
6 reviews

★★★★★ 9 months ago

LLynne Switzer
Local Guide · 41 reviews

★★★★★ 6 months ago

James Jiansen (Skaigear)

★★★★★ 10 months ago

UDisc

Search for course by name

Sedona Loop Trail - Disc Golf Course

Sedona, AZ

4.2 205 ratings

You've played 4 Rounds

53 Reviews

Return to Course

@cmbomber44
Dec 23, 2022
5.0

"Amazing views giving multiple panoramic views of Sedona. Great use of limited realistic space to place holes and basket. 30 minutes for a first time solo round."

@ddetscher
Dec 20, 2022
5.0

"Lovely scenery and views. Humble little 6 basket setup but tons of potential for the area. Great job"

@croland93
Dec 15, 2022
4.0

"Needs pads but you can't get a better view while playing. "

@aithanmier
Dec 11, 2022
2.0

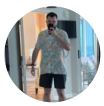
"Confusing layout, beautiful scenery. But props to them for setting up the only course in Sedona!"

@gtauras
Nov 26, 2022
4.5

"Views are immaculate. Trail is hard to follow without UDisc Maps open. If you are playing the 18hole layout, make sure to look for the little wooden stakes guiding your way holes 7-18."

@scottlag 4.0
Nov 24, 2022

"Beautiful course. Short but very technical. Tees are hard to find. "



@gyaradisk 4.0
Nov 23, 2022

"Beautiful little desert course. Views are spectacular. Baskets are MVP Black Hole Golf, anchored with rocks. Overall beautiful little course ! "

@tbirdtodd 3.5
Nov 22, 2022

"Killer views, Short holes, easy to get lost finding the next tee box, can't believe this is the only course in Sedona. "

@ggreerrn 5.0
Oct 29, 2022

"Beautiful course views and layout. Will def come back"

@bennblackmore 4.0
Oct 19, 2022

"With the addition of more longer holes and permanent tee pads this could easily be a 5 star course. Be glad you have Udisc to navigate between holes. Views are some of the best I've ever seen on a disc golf course. Highly recommended for a fun quick round. "

@flofff 3.0
Oct 15, 2022

"Great course with excellent views just needs some work to be awesome "

@olukalns 4.0
Oct 6, 2022

"Interesting course. Incredible views. Full 18 coming soon"

@beast71 4.0
Sep 20, 2022

"Only 6 holes but the views are priceless! Short but you have to pay attention at all times. Cactus, loose rocks, trees all make for a very interesting throwing experience. "

@colekilroy 4.5
Sep 17, 2022

"Lots of cacti, fantastic course "

@dger247 5.0
Sep 17, 2022

"Plans are in the process for a permanent nine hole course with two tees per hole. City Council has to approve good chance of this happening. "

@dyktip 4.5
Sep 2, 2022

"Solid course"

@jimjamjum11 5.0
Aug 28, 2022

"Great little course w/ some of the best views I've ever seen! Only knock is that it's only 6 holes! Had a great time though!"

@cgarvs24 4.5
Aug 25, 2022

"Great course fun little loop- pretty scenic with a great cave just under the fairway of hole 5. Tee boxes made up of natural materials/surroundings "

@rytmelody 4.0
Aug 24, 2022

"A little more work on them lines would help"

@stephendavid 5.0
Jul 24, 2022

"The views can't be beat. If you want a challenge, play 13–18. Just follow it on UDIsc. The stake markers are a little off from UDisc, so you'll have to look for them. "

@brandonchen6 4.5
Jul 23, 2022

"short and technical shots. sick view"

@gowansmf 4.5
Jul 23, 2022

"Absolutely beautiful course! Only 6 baskets, but 3 different sets of tee pads. The first 6 holes use the easiest, the next six holes use the second set, and the last six use the hardest tees. Goes from a pitch and putt to intermediate holes. "

@mac333 4.0
Jun 24, 2022

"WOW! What else do you want from a beautiful course in the middle of Paradise! No need for tee pads just throw your discs and look around!"

@mleis1 5.0
Jun 23, 2022

"Great job on an amazing scenic course. Looking forward to more baskets!"

@meowfew 3.0
Jun 14, 2022

"Cool course, threw an envy off the tee every hole. Small but lots of fun, watch your disc tho or you'll easily lose it "

@dwiggy444 3.0
Jun 4, 2022

"Fun, but a little difficult to navigate and might be easy to lose a disc in the brush if you don't have a spotter. "

@fourhand 1.5
May 22, 2022

"Million $ view and dirt cheap course. Feel like this could easily be a world class facility, but Sedona cheaped out. Extent your course out to 18 full holes with longer distances, bathrooms, and permanent baskets/tee boxes. For a tourist economy, understand that people will travel for a good course. This could easily be on of the worlds best. "

@kfleischman13 3.0
May 14, 2022

"Nice course, fun shots, can't wait for the other 'tee pads to be put together' "

@colelouderman 3.5
Apr 27, 2022

"Proud of Sedona for trying, and finally adding a disc golf course, but it's a 3.2 rating for me, if it weren't for the amazing views Sedona brings. 3.5 overall."

@gagecameron 3.5
Apr 18, 2022

"Gorgeous views, the first six are pretty clearly marked but after the traditional 6, It's pretty difficult to find some of the next tee boxes and you have to memorize where the baskets were and pray you get close. Good course for a tiny 6-holer but the next tees should be identified and found easier and not just marked by a tiny wood stake (if they are marked at all)... That being said, if I played it 3+times I would probably have gotten the hang of it but it's a pain the first time"

@krade33 5.0
Apr 8, 2022

"To me, since I have extensive room for improvement, I really enjoyed this particular hike where I also throw a disc. I was worried since it was right by the school there'd be issues with parking and if I'd be allowed since it was during school hours. Turns out it was just fine, no issues there at all."

@mbdiscman 3.5
Apr 8, 2022

"Overall the course was fun. Tees 7-18 some are hard to find the pad. Enjoyed the elevation change and scenery!"

@harleyg 4.0
Apr 7, 2022

"Great to see a course in Sedona! Lots of potential in this course. "

@skaigear 5.0
Apr 4, 2022

"This is not simply a disc golf course, it's a dazzling vista trail with disc golf as a bonus! Surrounded by beautiful flora and fauna and red rocks, you'll forget your score no matter how poorly you're doing, because who cares, you're in Sedona! That's not to say these six holes aren't worth playing though, no not at all. The placements are well thought out with some blind throws and elevation changes to keep you interested. Tee pads are made out of rocks (fits into the city's aesthetic)."

@lukejanofski 2.5
Apr 3, 2022

"Pretty fun, oddly short haha but super pretty and easy "

@lowercaselong 5.0
Apr 3, 2022

"Awesome little course. Bring from Atlanta this is far and away the best landscape I've ever played in. Couple putters and you're good. "

@hockeyholic 5.0
Apr 1, 2022

"Fun little hike. Perfect for beginners. Excellent views of the red rocks "

@redisaac 4.0
Apr 1, 2022

"This might be the coolest 6 hole course in the world. "

@cutty6 5.0
Mar 28, 2022

"Great scenery, fun short layout"

@xryguy23x 4.5
Mar 23, 2022

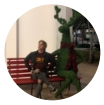
"Beautiful course. A little hard to find some of the tees, but a relatively well maintained area."

@tdrkzs 4.0
Mar 22, 2022

"Lots of blind shots, make sure you are accurate or have a spotter. Fun course"

@jostyks 5.0
Mar 17, 2022

"So cool! Scenic everywhere you look."



@dannybeck 5.0
Mar 9, 2022

"Well marked short course views are amazing!"

@bdubalicious 2.5
Mar 3, 2022

"Good use of space i suppose. Leave your drivers at home. "

@jakester7 4.0
Feb 26, 2022

"Unbelievable visuals"

@cdavis17 4.0
Feb 22, 2022

"Great views some weird tee placements "

@tatertits 5.0
Feb 16, 2022

"Dude so sick! Cool little putter course in an AMAZING place"

@thebigwysowski 3.5
Feb 8, 2022

"12's tee pad is mapped incorrectly. It's super short with tiny obstructed lanes. Also hole 4 is deceiving, there is a very steep slope to the left of the basket. Beautiful scenery, but the course itself is okay. Lots of room for improvement though!"

@gooseman19 4.0
Jan 28, 2022

"Mediocre course with top of the line scenery. "

@elimoncrieff 5.0
Jan 23, 2022

"Played the 6 hole layout twice, lots of fun and amazing views. Needs a little trimming on some bushes but otherwise great. Going to play the full 18 layout soon. "

@garybitcoin 4.5
Jan 22, 2022

"Fun little course. Hope they can expand."

@joeco68 5.0
Jan 17, 2022

"Fun little par 3 course with short obstructed shots. Can't wait to see how they expand it!"

@rockslide58 5.0

UDisc

The App for Disc Golfers. Discover over 13,000 courses worldwide, keep score with friends, track throws and round statistics, find and follow events, and much more with UDisc.

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CITY COUNCIL AGENDA BILL

AB 2910
January 10, 2023
Regular Business

Agenda Item: 8e
Proposed Action & Subject: 1) Discussion/possible action regarding authorization to purchase three (3) Microtransit Vehicles for an amount not to exceed $624,546 from Creative Bus Sales through the Arizona State Cooperative Purchasing Contract, and 2) approve an additional $416,364 for the purchase of two (2) additional Microtransit vehicles partially funded by the FTA 5339 Grant award.

Department	Transit
Time to Present	15 Minutes
Total Time for Item	45 Minutes
Other Council Meetings	December 14, 2021
Exhibits	A. CBS 2023 New England Wheels Frontrunner Price Quote B. FTA 5339 Grant Award Letter

City Attorney Approval	Reviewed 1/3/23 KWC
City Manager's Recommendation	1) Authorize the lease purchase of three Microtransit Vehicles in an amount not to exceed $624,546 from Creative Bus Sales. 2) Approve an additional $416,364 for the purchase of two (2) additional vehicles partially funded by the FTA 5339 Grant award.

Expenditure Required	
$	1,040,910 ($202,165 paid by grant funding)
Amount Budgeted	
$	522,400
Account No. (Description)	52-5630-89-68B3 (Transit Bus Acquisition)
Finance Approval	☒

SUMMARY STATEMENT

Background:

On December 14, 2021, Council approved staff to purchase three (3) Microtransit vehicles through Creative Bus Sales from the Arizona State Cooperative Purchasing Contract for $336,567.

The vehicles were ordered on December 16, 2021. At that time, staff was notified that the original equipment manufacturer (OEM) had projected up to a five-month lead time for the delivery of the 2021 models due to supply chain delays.

In mid-May of 2022, staff was notified that the manufacturer was no longer producing that vehicle model and sold the product manufacturing rights to another company. Staff was initially told that the purchasing entity would continue manufacturing the product for the transit market; however, as pricing was projected to increase by 40% - 70% across the transit bus manufacturing industry, the cost of the vehicles would substantially increase. After several months of waiting for updated pricing or a definitive delivery timeline it was mutually decided that Creative Bus Sales cancel the order. The order was canceled in August of 2022.

Concurrently, 2022 chassis(s) on all models of transit vehicles in that class had sold out, while vehicle manufacturers scrambled to reconfigure their 2023 product lines to meet recently reimposed FTA Buy America requirements.

These events resulted in a substantial delay for the industry to receive updated quotes for 2023 models from transit vehicle manufacturers. The issue was finally resolved in mid-December when all federal procurement requirements were satisfied, and the State approved the new pricing structures on its Cooperative Purchasing Contract.

5339 FTA Grant Award:

In late August of 2021, ADOT issued a preliminary FTA 5339 grant award to the city for purchasing two (2) additional Microtransit vehicles. The maximum Federal share for this grant is $202,165. The city's total local share to purchase two (2) additional units at the revised pricing is $214,199.

The city must acquire at least five vehicles for this service mode, allowing up to four Microtransit buses to be placed into service while maintaining one spare vehicle.

Recommendation:

1. Approve staff to purchase three (3) alternative Microtransit vehicles through Creative Bus Sales for an amount not to exceed $624,546 plus interest from the Arizona State Cooperative Purchasing Contract, which offers the best pricing for this vehicle class while avoiding a lengthy procurement and competitive bid process. Staff is obtaining quotes for debt financing of these vehicles. If the rates are deemed reasonable, staff will come back to the City Council for approval of the debt financing. If financing is not recommended, adequate budget capacity is available to cover the purchase. The additional trailhead shuttles from Coconino County grant funding was not approved and frees up $298,000 in this account (included in the budget amount of $522,400). Adequate budget capacity exists within other capital improvement projects to cover the remaining difference in cost of $518,510.

2. Approve an additional $416,364 for two (2) additional Microtransit vehicles with $214,199 as the city's local share and $202,165 from the FTA 5339 Grant.

Discussion:

Service Days / Hours & Implementation Timeline:

The deployment date of the Microtransit service is solely predicated on the delivery timeline of the vehicles, which is tentatively scheduled for late summer or fall of 2023. As planned, the service will operate on the same days that the trailhead shuttles are in operation (Thursday – Sunday); however, service will begin at 06:30 AM and end at 6:00 PM. The extended span of service will allow passengers to connect with the first outbound and last inbound trips of the trailhead shuttles.

Four vehicles were evaluated based on their capacity, propulsion system and range (for battery electric option), service needs, ability to transport bikes, ADA accommodation, Altoona ratings, warranty, and cost. The model that best meets the program needs is the New England Wheels Front Runner due to its larger capacity and ability to support multiple service modes, to include MicroTransit demand response, fixed route bus, and ADA Paratransit.

Vehicle Information:

OEM: New England Wheels
Model: Front Runner
Chassis: Ram Promaster 3500– Low Floor - High Roof Chassis
Model Year: 2023
Engine: 3.6L V6 24V VVT
Propulsion System: Gasoline
Capacity: 14 Passenger / 2 Wheelchair
Warranty: *Powertrain*: 5 Year / 100,000 mile: *Chassis*: 3 Year 36,000
Useful Life: 5 Years / 200,000 miles
All FTA Procurement specifications met
[1] FTA Altoona Test Score: 91.0

[1] Federal transportation Law (49 U.S.C. § 5318 ("Section 5318")) requires the Secretary of Transportation to test new bus models for maintainability, reliability, safety, performance (including braking performance), structural integrity, fuel economy, emissions, and noise. Section 5318 also requires the Secretary to assign a numeric score to a bus model based on the results of each of the above tests and issue a "pass/fail" rating for each tested bus model based on its weighted aggregate score.

Alternative Propulsion Systems:

Creative Bus Sales was able to offer a battery electric light duty accessible transit van that is available on the state contract and compliant with all FTA vehicle procurement requirements. However, the vehicle lacked sufficient passenger capacity, and range to be considered for this mode of service.

Additionally, staff was unable to locate any qualified hybrid models in this vehicle class on the state contract.

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

The city's Climate Action Plan (CAP) sites the second largest source of CO_2 emissions in Sedona is from the use of fossil fuels in vehicles and other motorized equipment. A mode shift to public transit reduces the number of passenger vehicle miles traveled, which results in the displacement of CO_2 emissions. One of the specific CAP strategies is to improve and increase transit ridership. Related strategies include a sustained commitment for a transition to electric and other low-carbon fuels and a shift to alternative modes of transportation such as ride sharing, public transit, biking, and walking. While there are electric vehicles currently available under the state contract, it was determined by the Transit Administrator and the Sustainability Manager that the range of these vehicles prevented them from being a viable option for this program at this time.

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

Alternative(s):

MOTION

I move to:

1) Authorize the purchase of three Microtransit Vehicles in an amount not to exceed $624,546 from Creative Bus Sales through the Arizona State Cooperative Purchasing Contract.
2) Approve acceptance and expenditure of the FTA 5339 Grant award of $202,165 and approve an additional $214,199 as the city's local share for the purchase of two (2) additional Microtransit vehicles.

Creative Bus Sales

ADOA

Solicitation #: BPM003324 / Contract #: CTR054848

FY 2023

Preparer: Jeff Pilon

Base Model

Promaster 3500 Cutaway GVWR 9,350 3.6L V-6

FRONTRUNNER by New England Wheels

Base Model Price:	$	176,269
Chassis Options:	$	4,481
Options:	$	5,490
CBS Published Options:	$	5,882
CBS Unpublished Options:	$	15,810
County Delivery Cost: Coconino	$	250.00

Vehicle Length	Lift Position	WC Positions	Total # Passengers	CDL Required
23'	Front	2	14	No

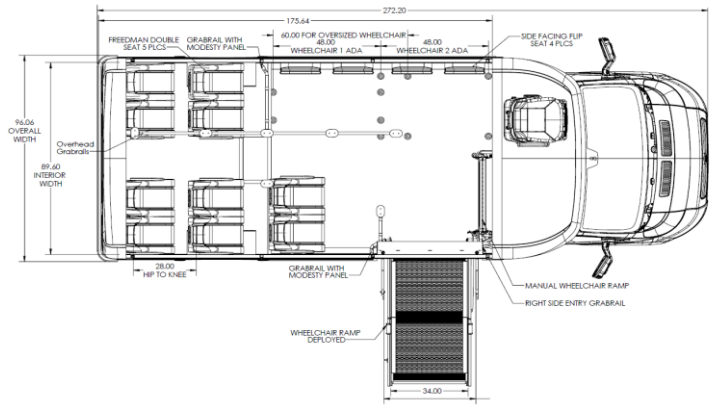
QTY Vehicles: 1 **Total Contract Price:** **$ 208,182**

Per Vehicle Price: $ 208,182

Customer Info

Customer:	City of Sedona
Address:	102 Roadrunner Dr. Sedona, AZ 86336
Contact:	Robert Weber
Office Phone:	928-203-5086
Mobile Phone:	
E-Mail:	RWeber@sedonaaz.gov

Floorplan



Base Model Features

Dodge Promaster

2023 PROMASTER 3500 CUTAWAY				Quantity
VF3L34	GVWR 9350	3.6 Liter V-6	**SEAT DELETE**	1
FRONTRUNNER BASE PACKAGE				
FRONTRUNNER STANDARD BUS BASE CONVERSION PACKAGE			**NEW-STD**	
Frontrunner purpose-built low floor chassis and frame kit, composite body structure, Coosa composite subfloor, Altro Chroma Mineral floor covering, Structural adhesives, LED interior and exterior lighting including center-mount brake light, back-up alarm, 6.5" marine grade speakers, large deep tinted fixed touring-style windows, (2) rear egress windows per FMVSS, 10 gauge steel rear bumper – powder coated black, OEM driver's seat with lumbar support and arm rest, steel wheels with ABS bolt-on wheel covers painted chrome, heated and adjustable side view mirrors with integrated turn signals, roll stability control, automatic traction control, front-wheel drive.				
AIR SUSPENSION OPTIONS				Quantity
Wabco Rear Air Suspension			**NEW-ASA**	1
BUS DOOR OPTIONS (SIDE ENTRANCE)				Quantity
A&M Door System			**NEW-ANM**	1
RAMP OPTIONS				Quantity
Manual Fold Out Ramp 34 x 60 W/ Retractable Latch			**152-172-001C**	1
TIE DOWNS & WHEEL CHAIR SECUREMENT OPTIONS				Quantity
Q'straint Standard Slide-n-Click WITH Lap & Shoulder Belt			**NEW-CLICKNSLIDE**	1
Q'straint Additional Floor Pucks for Oversized Wheel Chair, Set			**NEW-FLOORPUCKS**	1
Q'straint Slide 'N Click Stowage Bracket (2 per WC)			**NEW-QSTOWBRKT**	1
Q Straint Storage Pouch			**Q5-8522**	1
SAFETY EQUIPMENT & OPTIONS				Quantity
5lb Fire Extinguisher			**466425K**	1
Standard First Aid Kit			**UX-116**	1
Safety Triangle Kit			**1005**	1
6x9 Interior Mirror			**152-185-006A**	1
Decal, Priority Seating			**152-711-105A**	1
HEATING & AIR CONDITIONING OPTIONS				Quantity
Valeo AC/Heat Combo Unit - Roof-mount			**NEW-ACP**	1
STAINLESS STEEL - UNPAINTED GRAB RAIL OPTIONS				Quantity
Stainless Grab Rail - Left Side Entry Door (Universal for Ventura & A&M Door)			**NEW-SSGLSED**	1
Stainless Grab Rail - Right side Entry **A&M** Door			**NEW-SSGRSA&M**	1
Stainless Grab Rail - Curb Side Rear Step-Up			**NEW-SSGCSRSU**	1
Stainless Grab Rail - Street Side Rear Step-Up			**NEW-SSGSSRSU**	1
Stainless Overhead Grab Rail - Front to Rear			**NEW-SSGOH**	1
MODESTY PANELS AND PADDING FOR GRABS				Quantity
Modesty Panel - **Left Side Entry Grab Rail**			**NEW-MODPANEL**	1
Modesty Panel - **Curb Side Rear Step-up Grab Rail**			**NEW-MODPANEL**	1
Modesty Panel - **Street Side Rear Step-up Grab Rail**			**NEW-MODPANEL**	1
Freedman Go - ES Seating				Quantity
2 Passenger Mid High Bench	Universal for SS or CS		**NEW-42467**	1
Freedman Seat Upgrades				Quantity
Level 1 choice of color - (Add per person for both Bench & Wall seat)			**LEVEL 1**	2
Order Addendum - Additional Options/Requests				Quantity

Chassis Options

Qty	Part #	Description	FY 2023 List Price	QTY Total
1	CHA-2	10 Ambulatory Passengers/2 WCs	$ 4,481	$ 4,481
-		**Subtotal Chassis Options:**		**$ 4,481**

Options

Qty	Part #	Description	FY 2023 List Price	QTY Total
1	NEW-29	Sportworks Springlok Interior Bike Rack (Set of 2)	$ 4,468	$ 4,468
5	NEW-31	U.S. Arm Rest	$ 64	$ 320
3	NEW-32	Black AV Grab Handle	$ 64	$ 192
10	NEW-36	Level 3 Upholstery (per seat)	$ 51	$ 510
-		**Subtotal Manufacturer Options:**		**$ 5,490**

CBS Published Options

Qty	Part #	Description	FY 2023 List Price	QTY Total
1	CBS-S-21	Detail	$250.00	$ 250
1	CBS-S-72	Graphics Package E- Levels 1-8 Custom	$ 5,632	$ 5,632
-		**Subtotal Manufacturer Options:**		**$ 5,882**

CBS Unpublished Options

Qty	Part #	Description	FY 2023 List Price	QTY Total
1	CBS-U-1	SEON - Custom 8 Camera (interior/exterior) w/ DVR	$ 9,525.00	$ 9,525
1	CBS-U-2	Hanover Front & Side Destination signs	$ 6,285.00	$ 6,285
-		**Subtotal CBS Unpublished Options:**		$ 15,810

Douglas A. Ducey, Governor
John S. Halikowski, Director
Dallas Hammit, State Engineer
Gregory Byres, Division Director

August 26, 2021

Robert Weber
Transit Administrator
City of Sedona
102 Roadrunner Drive
Sedona, Az 86336

Subject: FY 2021 5307 and 5339 Competitive Application: Preliminary Notice of Award and Decline to Award

Dear Mr. Weber:

ADOT is pleased to issue this Preliminary Award Notice and declination of award for the above referenced competitive application. Please be advised that this is a preliminary award and no action can be taken until a final award notice (Exhibit A) is issued.

ADA Vehicle Request: Microtransit Bus Procurement
ADOT is awarding 2 of the 5 vehicles requested in your application. Please be advised that the common practice of ADOT is to award one to two vehicles to newly operating 5311 agencies. Therefore, only two vehicles were awarded to the City of Sedona at this time. Prior to the start of new service, the City of Sedona must provide ADOT with a Vehicle Maintenance Plan as required for all 5311 subrecipients. Please note that all vehicles awarded will be procured by ADOT. ADOT will coordinate with you on finalizing the order of your vehicle.

City of Sedona

Project Title	Match Ratio	Federal Award	Local Match	Total Award
Microtransit Bus Procurement	85%	$202,165.00	$35,676.00	$237,841.00

City of Sedona: Final Design M&O Facility project
At this time, the City of Sedona's Final Design M&O Facility project is not eligible for funding. Projects for Transit facilities must follow FTA guidelines if FTA funding is to be committed in any stage of the project. As outlined below, the following steps must be completed.

- City must complete a Site Selection and Environmental Justice analysis, with subsequent ADOT & FTA approval
- NEPA for the approve site selected, with subsequent ADOT & FTA approval

- Design may occur during NEPA however design may not proceed beyond 30% design until NEPA is completed and approved

The preliminary funding award for your project is contingent upon the Federal Transit Administration awarding of funds to ADOT for the 5339 Program. ADOT will be submitting an application to FTA in November 2021 and anticipates FTA awarding funding in January 2022. Your preliminary award of funds is also contingent upon your compliance with all Federal and State requirements. Your official notice of award will be included in a revised Exhibit A to your 5311 Grant Agreement.

IIf you have any questions or if the award is significantly different than expected, please contact Jill Dusenberry, Transit Group Manager. You have the right to appeal this funding decision. If filing an appeal, applicants must use the following process in order for the appeal to be considered valid. Letters of appeal must clearly identify the applicant, contact person, address, phone number, project description and grounds for appeal. Letters of appeal must be submitted within ten business days of notification of award. Submit the appeal via email to Jill Dusenberry (jdusenberry@azdot.gov), and copy your 5311 Program Manager.

ADOT reviews all appeals and notifies applicants of the decision within ten business days. If the applicant is not satisfied with the Transit Group Manager's response, a further appeal may be made to Greg Byres, MPD Division Director. This appeal must be submitted within ten business days of the notice of the 5311 Program Manager's decision. A copy of the additional appeal must be sent to the 5311 Program Manager. The MPD Division Director will then provide a written response to the applicant within 30 days of receipt of the appeal.

Please remember that your transit funding must be included in the local TIP (Transportation Improvement Plan) developed by NACOG. NACOG has been copied on this preliminary award letter; however, it is the transit agency's responsibility to coordinate with NACOG to ensure that all your project is included in the local TIP.

Sincerely,

Jill Dusenberry
Transit Group Manager

cc: Greg Byres, MPD Division Director
Aubree Perry, 5311 Program Manager

Deborah Brunner, 5311 Program Manager
Shatawn Reed, 5311 Program Manager
Sara Allred, Assistant Transit Manager
Myrna Bondoc, ADOT MPD Regional Planner
Jennifer O'Connor, NACOG
Tod Morris, NACOG

CITY COUNCIL AGENDA BILL

AB 2911
January 10, 2023
Regular Business

Agenda Item: 8f
Proposed Action & Subject: Discussion/possible action regarding the reconsideration of an installation of synthetic K-9 grass as a pilot project in a portion of the Sedona Dog Park.

Department	City Council
Time to Present	5 minutes
Total Time for Item	15 minutes
Other Council Meetings	Sept 13, 2022
Exhibits	N/A

City Attorney Approval	Reviewed 1/3/23 KWC
City Manager's Recommendation	Delay the project to allow staff additional time to vet the feasibility of installing natural grass in lieu of synthetic or decomposed granite.

Expenditure Required	
$	N/A
Amount Budgeted	
$	N/A
Account No. (Description)	
Finance Approval	☒

SUMMARY STATEMENT

Background: At the December 13, 2022 Council meeting Councilor Ploog requested a reconsideration of prior Council direction to use decomposed granite as the surface of the Dog Park expansion project, to instead consider the installation of synthetic K-9 grass in at least some portion of the Dog Park. The request was supported by Councilor Kinsella.

This agenda item will provide Councilors Ploog and Kinsella an opportunity to advocate for this item to be reconsidered. If a majority of councilors wish to revisit this item further, it will be added to a future agenda for full discussion and deliberation.

Additional Information

Staff have researched the cost and maintenance requirements to install synthetic K-9 grass in the 7,000 sqft of newly expanded area of the Dog Park ("pilot area"). The one-time cost for a synthetic grass installation in that area would be approximately $20/sqft, or $140,000, and could be accommodated in the FY23 Capital Improvement Program budget. However, the ongoing maintenance requirements of synthetic K-9 grass cannot be fulfilled by existing staff. Due to the intensive maintenance requirements, concerns about the temperature of the turf in

the summer, potential odor issues, and longevity and production/material concerns, staff is not recommending the use of synthetic turf for even a portion of the Dog Park.

The excavation of the expanded Dog Park area will be complete by the end of January, but further work can be put on hold pending new discussion and direction on this item should that be Council's desire. In this case the excavated area will remain fenced off from public access until further analysis and decisions can be made on how best to move forward.

If grass is the preferred surface, Public Works and Parks and Recreation staff would prefer a natural grass installation. But as was discussed at the Sept 13, 2022 meeting, the new water use of approximately 8,200 gallons per day for 20,000 sqft of natural grass (approximately 3 million gallons per year), is not consistent with the City's environmental sustainability and water conservation goals. Additional time is needed to investigate whether any reasonable options exist to minimize or eliminate new water use, such as the use of replanted grass, water reuse, rainwater harvesting, or other more sustainable options. For context, the City injects 360,000 gallons per day of wastewater effluent to replenish the aquifer. The average American family uses approximately 110,000 gallons per year. An 80-room hotel with a pool uses approximately 750,000 gallons per month or 9,000,000 per year.

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

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

Alternative(s):

MOTION

I move to: