

AGENDA



4:30 P.M.

CITY COUNCIL MEETING

TUESDAY, MARCH 10, 2026

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 and translation services 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

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

2. ROLL CALL/MOMENT OF ART

3. CONSENT ITEMS - APPROVE

LINK TO DOCUMENT =

- a. Minutes - February 24, 2026 City Council Special Meeting - Executive Session.
- b. Minutes - February 24, 2026 City Council Regular Meeting.
- c. Minutes - February 25, 2026 City Council Special Meeting.
- d. Minutes - March 03, 2026 City Council Special Meeting - Executive Session.
- e. Approval of the American Red Cross Month Proclamation, March 2026.

4. APPOINTMENTS - None

5. SUMMARY OF CURRENT EVENTS BY MAYOR/COUNCILORS/CITY MANAGER & COUNCIL ASSIGNMENTS

6. EXECUTIVE SESSION REPORT

7. PUBLIC FORUM

(This is the time for the public to comment on any issue within the jurisdiction of City Council 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.)

8. PROCLAMATIONS, RECOGNITIONS & AWARDS

- a. American Red Cross Month Proclamation, March 2026.

9. REGULAR BUSINESS

- a. **Discussion/possible action** regarding items pulled off "3. Consent Items".
- b. AB 3316 **Presentation/discussion** regarding the Annual Audit findings and Annual Comprehensive Financial Report (ACFR) for the City of Sedona for Fiscal Year 2024-2025.
- c. AB 3314 **Discussion/presentation/ possible direction** regarding streets in the City's right-of-way not currently maintained by the City.
- d. AB 3313 **Discussion/possible direction/action** regarding proposed State legislation, short-term rental legislation, lobbying efforts, and State budget and their potential impact on the City of Sedona.
- e. AB 3066 **Discussion/possible action** regarding future meeting/agenda items.

10. 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.

11. ADJOURNMENT

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.

AGENDA



4:30 P.M.

CITY COUNCIL MEETING

TUESDAY, MARCH 10, 2026

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 a quorum of 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.

NOTICE TO PARENTS AND LEGAL GUARDIANS: Parents and legal guardians have the right to consent before the City of Sedona makes a video or voice recording of a minor child, pursuant to A.R.S. § 1-602(A)(9). The Sedona City Council meetings are recorded and may be viewed on the City of Sedona website. If you permit your child to attend/participate in a televised City Council meeting, a recording will be made. You may exercise your right not to consent by not allowing your child to attend/participate in the meeting.

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Posted: 03/05/2026

By: DJ

JoAnne Cook, CMC, City Clerk

CITY COUNCIL CHAMBERS
102 ROADRUNNER DRIVE, SEDONA, AZ

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

**Action Minutes
Special City Council Meeting
Sedona City Hall, Council Chambers
102 Roadrunner Drive, Sedona, Arizona
Tuesday, February 24, 2026, 3:00 p.m.**

1. Call to Order

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

2. Roll Call

Council Present: Mayor Holli Ploog, Councilor Pete Furman, Councilor Charlotte Hosseini, Councilor Kathy Kinsella, and Councilor Derek Pfaff. Vice Mayor Brian Fultz and Councilor Melissa Dunn were absent and excused.

Staff Present: Magistrate Judge Richard Speer and Deputy City Clerk Marcy Garner.

3. Executive Session

Motion: Councilor Kinsella moved to go into Executive Session at 3:02 p.m. Seconded by Councilor Pfaff. Motion carried with five (5) in favor (Ploog, Furman, Hosseini, Kinsella, and Pfaff) and zero (0) opposed.

Marcy Garner gave the admonition.

- a. Discussion and consultation regarding personnel matters, specifically to discuss Magistrate Judge Richard Speer's performance goals and annual evaluation. This matter is brought in executive session pursuant to A.R.S. 38-431.03(A)(1).**
- b. Return to open session. Discussion/possible action on executive session items.**

Reconvened in open session at 4:18 p.m.

No action taken

4. Adjournment

- 5. Mayor Ploog adjourned the meeting at 4:20 p.m. with no objection.**

I certify that the above are the true and correct actions of the Special City Council Meeting held on February 24, 2026.

Marcy Garner, Deputy City Clerk

Date

Action Minutes
Regular City Council Meeting
City Council Chambers, Sedona City Hall,
102 Roadrunner Drive, Sedona, Arizona
Tuesday, February 24, 2026, 4:30 p.m.

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

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

Council Present: Mayor Holli Ploog, Councilor Pete Furman, Councilor Charlotte Hosseini, Councilor Kathy Kinsella, and Councilor Derek Pfaff. Vice Mayor Brian Fultz and Councilor Melissa Dunn were absent and excused.

Staff Present: City Manager Anette Spickard, Deputy City Manager Lauren Browne, Deputy City Manager Barbara Whitehorn, City Attorney Monique Coady, Police Chief Stephanie Foley, Director of Community Development Tony Allender, Director of Public Works/City Engineer Kurt Harris, Police Commander Heather Penner, Police Commander Chris Dowell, Public Relations Analyst Kegn Hall, Assistant Director of Public Works Sandy Phillips, Revenue Supervisor Renee Stanley, Police Department Support Services Manager Erin Leoffler, Deputy City Clerk Marcy Garner, Planning Manager Cari Meyer, Assistant Director of Community Development Steve Mertes, Officer Cole Taylor, City Clerk JoAnne Cook.

2. Roll Call

The roll call was conducted by JoAnne Cook.

3. Consent Items

- a. **Minutes - February 10, 2026 City Council Special Meeting - Executive Session.**
- b. **Minutes - February 10, 2026 Regular City Council Meeting.**
- c. **Minutes - February 11, 2026 City Council Special Meeting.**
- d. **AB 3326 Approval of a Public Utility Easement for internet service across the City-owned parcel located at 525 Posse Ground Road (HUB) (APN 408-25-339B), at no cost to the City.**
- e. **AB 3325 Approval of an amendment to the Axon contract to include Axon Fleet 3 in-car camera systems for nine (9) newly added patrol vehicles in the Police Department fleet for the current fiscal year.**

Motion: Councilor Kinsella moved to approve consent items 3a-3e. Seconded by Councilor Furman. Vote: Motion passed with five (5) in favor (Ploog, Furman, Hosseini, Kinsella, Pfaff) and zero (0) opposed.

4. Appointments

- a. **AB 3304 Appointment of six (6) citizen members to the City Council Compensation Review Work Group.**

Motion: Councilor Furman moved to approve the City of Sedona Council

Compensation Review Work Group Charter and appoint Brock Delinski, Kali Galewski, CJ Tronnier Gershon, Diane Phelps, Laura Rumann, and Sean Smith to the Council Compensation Review Work Group with terms of service to end no later than December 31, 2026, or when the Work Group has completed its recommendations to Council, whichever comes first. Seconded by Councilor Pfaff. Vote: Motion passed with five (5) in favor (Ploog, Furman, Hosseini, Kinsella, Pfaff) and zero (0) opposed.

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

Mayor Ploog - film festival tickets available

Councilor Furman - The Yavapai Nation will be holding its Exodus Day Commemoration Event starting at 6:00 a.m. at Boynton Canyon for the prayer, 10:00 a.m. is the completion of the walk, and the program will be being at 11:00 a.m. at the Veterans Memorial Park (below Cliff Castle Casino).

Councilor Pfaff - Sedona Humane Society's HSS Critter Classic Golf Tournament will take place on April 12, 2026 at the Oak Creek Golf Resort. They are still seeking sponsors and registrations are still being accepted.

Anette Spickard - The St. Patrick's Day Parade will be taking place on Saturday, March 14th beginning at 10:30 a.m. at the Sedona Heritage Museum on Jordan Rd.

6. Executive Session Report - None.

7. Public Forum

Opened to the public at 4:39 p.m.

Jen Farnsworth, Sedona, spoke against the parking garage.

Tim Perry, Sedona, spoke against the topic for the scheduled Council Community Meeting.

Michael James Long, Sedona, spoke regarding his civil rights.

Brought back to City Council at 4:47 p.m.

8. Proclamations, Recognitions & Awards - None

9. Regular Business

a. Discussion/possible action regarding items pulled off "3. Consent Items"

b. AB 3276 Public hearing/presentation/discussion concerning whether the City of Sedona should extend the Alternative Expenditure Limitation – Home Rule Option with regard to the City Budget. This is the first of two public hearings and this issue would be placed on the July 21, 2026 ballot for voter approval.

Presentation by Barbara Whitehorn and Tyler Maffitt.

Questions and comments from City Council.

Opened the Public Hearing at 5:04 p.m.

Ed Kettler, Sedona, and Rich Gay, Sedona asked for more information regarding alternative expenditure limitation options.

The following spoke in opposition of extending the Alternative Expenditure Limitation - Home Rule Option:

Tim Perry, Sedona, Robert Koster, Sedona.

Closed the Public Hearing at 5:25 p.m.

Questions and comments from City Council.

No action taken. This is the first of two Public Hearings. The second public hearing is scheduled for March 10, 2026 at 3:30 p.m.

- c. **AB 3320 Discussion/possible action for approval of a Resolution authorizing the execution of an Intergovernmental Agreement (IGA) between the City of Sedona and the Arizona Department of Transportation (ADOT) regarding the construction of Brewer Road Shared Use Path (SIM11P) in the amount of \$2,787,286.00.**

Presentation by Sandy Phillips.

Questions and comments from City Council.

Opened to the public at 5:35 p.m.

Ed Kettler, Sedona, spoke in favor of the IGA.

Brought back to City Council at 5:37 p.m.

Comments from City Council.

Motion: Councilor Kinsella moved to approve Resolution No 2026-05, authorizing the execution of an Intergovernmental Agreement between the City of Sedona and the Arizona Department of Transportation for the construction of the Brewer Road Shared-Use Path, with a total project cost of \$2,787,286. Seconded by Councilor Furman. Vote: Motion passed with five (5) in favor (Ploog, Furman, Hosseini, Kinsella, Pfaff) and zero (0) opposed.

- d. **AB 3274 Discussion/possible action regarding proceeding with discussion of a letter of intent to redevelop the cultural park amphitheater and proceeding with an opinion poll conducted by a professional survey firm concerning the cultural park amphitheater, including City Council review of the proposed polling questions.**

Presentation by Tyler Maffitt, Paul Bentz, Senior Vice President of Arizona Highground Inc., and Cari Meyer.

Questions and comments from City Council.

Break at 6:21 p.m. Reconvened at 6:31 p.m.

Opened to the public at 6:31 p.m.

John Bradshaw, Sedona, spoke in favor of two simple survey questions related to the amphitheater.

Herb Tiffany, Cornville, spoke in favor of a question that includes the condition of the existing amphitheater and a simple two question survey.

Jennifer May, Cornville, recommended adding language to the survey to gauge if there would be support for restoration of the amphitheater as a 100% privately funded project.

Tim Perry, Sedona, voiced concerns with the survey questions not including the topic of housing.

Tim Jessup, Sedona, spoke in favor of the amphitheater and requested council approve providing a letter of intent to Cultural Park 2.0 Committee.

Ben Miller, Scottsdale, requested Council consider an independent feasibility study on the amphitheater prior to sending the survey to residents and requested a referral for proposal for development of the property.

Robert Koster, Sedona, spoke in favor of the Save the Sedona Cultural Park initiative and spoke against all housing on the site, he spoke in opposition to the survey.

Joetta Winer, Sedona, voiced concerns with question 2 and in favor of the amphitheater.

Sean Smith, Sedona, voiced concerns with the questions.

Kathy Howe, Sedona, spoke in favor of the amphitheater and requested to keep the questions simple.

Brought back to City Council at 6:57 p.m.

Comments and questions from City Council.

Re opened to the public at 7:22 p.m.

Ben Miller, Scottsdale, John Bradshaw, Cornville, and Jennifer May, Cornville spoke in favor of postponing the discussion regarding a letter of intent until the poll is conducted.

Ed Kettler, Sedona, encouraged Council to educate the community on the intended use of the information gathered from the poll.

Robert Koster, Sedona, spoke in opposition to conducting the poll and encouraged Council first clarify its vision and intended use for the property.

Brought back to City Council at 7:29 p.m.

Comments and questions from City Council.

Motion: Councilor Kinsella moved to approve the survey questions, as amended, and conduct the survey in March 2026. Seconded by Councilor Pfaff. Vote: Motion passed with five (5) in favor (Ploog, Furman, Hosseini, Kinsella, Pfaff) and zero (0) opposed.

Council directed staff to remove the agenda item concerning discussion of a request for a letter of intent from the City for the Cultural Park 2.0 Committee from the March 10, 2026 agenda, with no date certain for placement on a future agenda. Council also directed staff to present the survey results at the April 28, 2026 meeting. Should the item be brought back for consideration, the City Manager will schedule it on an appropriate agenda for one of the May 2026 Council meeting.

Break at 7:37 p.m. Reconvened at 7:55 p.m.

- e. AB 3313 Discussion/possible direction/action regarding proposed State legislation, short-term rental legislation, lobbying efforts, and State budget and their potential impact on the City of Sedona.**

Presentation by Lauren Browne and Kathy Senseman, Policy Advisory Group.

Questions and comments from City Council.

By majority consensus, Council agreed to oppose HB2290 and HB4030 and authorized the mayor or staff to send a letter in support of opposing each bill. HB4064 will be brought back to Council for consideration at the next meeting.

Motion: Councilor Pfaff moved to reconsider the vote taken previously on HB2793. Seconded by Councilor Furman. Motion passed with four (4) in favor (Ploog, Pfaff, Furman, Hosseini) and one (1) opposed (Kinsella) opposed.

Motion: Councilor Furman moved for Council to approve a neutral position on HB2793. Seconded by Councilor Pfaff. Motion passed with four (4) in favor (Ploog, Furman, Hosseini, Pfaff) and one (1) opposed (Kinsella).

- f. AB 3066 Discussion/possible action regarding future meeting/agenda items.**

Councilor Pfaff requested an agenda item to codify public notice requirements be added to a future agenda. He clarified there was no rush for this item. His request was supported by all four councilors.

10. 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.**

11. Adjournment

Mayor Ploog adjourned the meeting at 8:32 p.m. without objection.

I certify that the above are the true and correct actions of the Regular City Council Meeting held on February 24, 2026.

JoAnne Cook, CMC, City Clerk

Date

**Action Minutes
Special City Council Meeting
City Council Chambers, Sedona City Hall
102 Roadrunner Drive, Sedona, Arizona
Wednesday, February 25, 2026, 4:30 p.m.**

1. Call to Order

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

2. Roll Call

Council Present: Mayor Holli Ploog, Councilor Pete Furman, Councilor Kathy Kinsella, and Councilor Charlotte Hosseini. Councilor Derek Pfaff arrived at 4:47 p.m. Vice Mayor Brian Fultz and Councilor Melissa Dunn were absent and excused.

Staff Present: City Manager Anette Spickard, Deputy City Manager Andy Dickey, Attorney Kurt Christianson, Deputy City Manager Lauren Browne, Police Chief Stephanie Foley, PD Commander Heather Penner, Sustainability Manager Bryce Beck, Sustainability Coordinators Zachary Schwarz and Sarah Estrada, Community Development Director Tony Allender, Assistant Community Development Director Steve Mertes and Deputy City Clerk Marcy Garner.

3. Special Business

a. AB 3263 Discussion/possible direction regarding sustainability programming initiatives.

Presentation by Bryce Beck and Zachary Schwarz.

Questions and comments by Council during the presentation.

Break at 5:50 p.m. Reconvened at 6:00 p.m.

Opened to the public at 6:00 p.m.

The following spoke in favor of this item.

Peggy Chaikin, Sedona, with STEP Tool Library and Keep Sedona Beautiful, Frances Riemer, Sedona, Board member with NAZCCA, Jon Thompson, Sedona and Kathleen Ventura, Sedona, Compost Crowd.

Alan Schafer, Sedona, Co-Chair, Sustainability Committee, Les Springs Homeowners association, submitted a card to speak, but left before public comment.

Brought back to City Council at 6:12 p.m.

Presentation continued with Bryce Beck, Zachary Schwarz, Sarah Estrada and AmeriCorps Education Specialist Evelyn Banuelos.

By majority consensus Council directed staff to explore options for heat mitigation, cooling centers and resiliency hubs.

b. Discussion/possible action regarding ideas for future meetings/agenda items.

Mayor Ploog requested an executive session on March 3, 2026, at 12:00 pm, regarding elections and potential litigation. Vice Mayor Fultz and Councilor Pfaff supported her request.

4. 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 regarding 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.

No executive session held.

5. Adjournment

Mayor Ploog adjourned the meeting at 6:55 p.m. without objection.

I certify that the above are the true and correct actions of the Special City Council Meeting held on February 25, 2026.

Marcy Garner, Deputy City Clerk

Date

**Action Minutes
Special City Council Meeting
Sedona City Hall, Council Chambers
102 Roadrunner Drive, Sedona, Arizona
Tuesday, March 3, 2026, 12:00 p.m.**

1. Call to Order

Mayor Ploog called the meeting to order at 12:00 p.m.

2. Roll Call

Council Present: Mayor Holli Ploog, Vice Mayor Brian Fultz, Councilor Pete Furman, Councilor Charlotte Hosseini, Councilor Kathy Kinsella, and Councilor Derek Pfaff. Councilor Melissa Dunn was absent and excused.

Staff Present: City Manager Anette Spickard, Deputy City Manager Andy Dickey, Deputy City Manager Lauren Browne, City Attorney Kurt Christianson, City Clerk JoAnne Cook.

3. Executive Session

Motion: Vice Mayor Fultz moved to go into Executive Session at 12:01 p.m. Seconded by Councilor Kinsella. Motion carried with six (6) in favor (Ploog, Fultz, Furman, Hosseini, Kinsella, and Pfaff) and zero (0) opposed.

Break at 12:01. Reconvened at 12:09 p.m.

Kurt Christianson gave the admonition.

- a. **Discussion and consultation with the City Attorney for legal advice and to consider the City's position and instruct its attorneys regarding contemplated litigation and settlement discussions conducted in order to avoid litigation regarding the Forest Road Connection Project and the Uptown Parking Garage Project. This matter is brought in executive session pursuant to A.R.S. § 38-431.03(A)(3) & (A)(4).**
- b. **Discussion and consultation with the City Attorney for legal advice and to consider the City's position and instruct its attorneys regarding contemplated litigation regarding elections, initiatives, and zoning laws. This matter is brought in executive session pursuant to A.R.S. § 38-431.03(A)(3) & (A)(4). Return to open session.**
- c. **Return to open session. Discussion/possible action regarding executive session items.**

Reconvened in open session at 1:37 p.m.

Motion: Councilor Kinsella moved to authorize city attorney move forward with litigation as instructed in executive session. Motion passed, five (5) in favor (Ploog, Fultz, Furman, Kinsella, Hosseini) and one (1) opposed (Pfaff).

4. Adjournment

5. Mayor Ploog adjourned the meeting at 1:39 p.m. with no objection.

I certify that the above are the true and correct actions of the Special City Council Meeting held on March 3, 2026.

JoAnne Cook, CMC, City Clerk

Date

**Office of the Mayor
City of Sedona, Arizona**



**Proclamation
AMERICAN RED CROSS MONTH
March 2026**

WHEREAS, In March, we celebrate American Red Cross Month by honoring our neighbors who make its humanitarian mission possible in Sedona. Every day, their acts of kindness change lives, bringing relief, comfort and hope when help can't wait. This compassionate spirit runs deep in our community, just as it has for 145 years through the American Red Cross; and

WHEREAS, Today, those who serve with the Northern Arizona Chapter of the American Red Cross light the way during emergencies - whether it's delivering shelter, food and comfort after disasters; providing a safe, lifesaving blood supply for patients facing conditions like cancer treatments, childbirth complications and traumatic injuries; assisting military members, veterans and their families with 24/7 global support; or empowering individuals with skills like first aid and CPR that save lives; and

WHEREAS, These collective efforts are a powerful reminder that the strength of our community lies in our shared commitment to one another. As we mark Red Cross Month, let's celebrate our local heroes and resolve to continue lifting each other up, so no one faces an emergency alone,

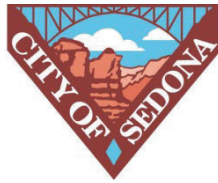
NOW, THEREFORE, I, HOLLI PLOOG, MAYOR OF THE CITY OF SEDONA, ARIZONA, ON BEHALF OF THE SEDONA CITY COUNCIL, do hereby proclaim March 2026 as Red Cross Month. I encourage all citizens of Sedona to reach out and support its humanitarian mission.

Issued this 10th day of March, 2026.

Holli Ploog, Mayor

ATTEST:

JoAnne Cook, CMC, City Clerk



City of Sedona Proclamation Request Form

Full Name of Contact Person	Janet Dubiel
Contact Phone Number	603-261-5498
Contact Mailing Address	20 Palomino Dr. Sedona, AZ 86351
Contact Email Address	janet.dubiel@redcross.org
Group, Organization, Activity or Event Being Recognized (Please make sure you provide complete and current information about the group or event)	American Red Cross Northern Arizona Chapter
Website Address (if applicable)	www.redcross.org
Name of the sponsor(s) of the Proclamation (3 Council members or the City Manager)	Peter Furman, Derek Pfaff, Melissa Dunn
What is the proclaimed day, days, week or month? (e.g. 10/11/12, October 11-17, 2012, October 2012)	March 2026
Would you like to attend a Council meeting for formal presentation of the Proclamation or would you like to pick it up?	☒ Presentation at Meeting ☐ Pick up Proclamation
If you would like the Proclamation presented at a Council meeting, please provide the full name and contact information (phone number and email address) of the party who will accept it on behalf of the group.	To Be Determined. I will update you as soon as we lock down who will attend the City Council meeting representing the Red Cross.

Provide information about the organization/event including a mission statement, founding date, location and achievements.

The mission of the American Red Cross is: The American Red Cross prevents and alleviates human suffering in the face of emergencies by mobilizing the power of volunteers and the generosity of donors.

The American Red Cross was founded by Clara Barton on May 21, 1881. The Northern Arizona Chapter was opened in March 2025 and is headquartered in Flagstaff, AZ.

The Red Cross is active in the Sedona community via a variety of activities. We hold blood drives, partner with the Sedona Fire Department on smoke alarm installation events, respond to house fires - providing immediate support to those affected and provide vital information and training to residents pertaining to dealing with extreme heat and wildfire preparedness.

Please explain why this Proclamation and any events accompanying it are important to the Community and are consistent with the City's vision statement and Community Plan goals. What is the clear reason for the Proclamation and why are you requesting this honor? What activities/events are planned around this Proclamation and how do you plan to promote this to the community?

It is important for the community to know that the Red Cross is active locally and the services we provide. It is also important for community members be made aware of the various volunteer opportunities available to ensure we have the personnel resources available to achieve our mission.

We plan to write an article for publication in the Sedona Red Rock News about Sedona's Proclamation.

Please include a draft of the proposed Proclamation with this request, preferably a Word file in electronic format.



**CITY COUNCIL
AGENDA BILL**

**AB 3316
March 10, 2026
Regular Business**

Agenda Item: 9b

Proposed Action & Subject: Presentation/discussion regarding the Annual Audit findings and Annual Comprehensive Financial Report (ACFR) for the City of Sedona for Fiscal Year 2024-25.

Department	Financial Services Renée Stanley, Accounting Manager
Time to Present	20 minutes
Total Time for Item	1 hour
Other Council Meetings	N/A
Exhibits	A. Annual Comprehensive Financial Report B. Governance Communication C. PowerPoint Presentation

Finance Approval	Reviewed 2/12/26 BGW	
City Attorney Approval	Reviewed 2/25/26 KWC	Expenditure Required
		\$ N/A
City Manager's Recommendation	For presentation and discussion only ABS 2/11/26	Amount Budgeted
		\$ N/A
		Account No. (Description)

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)

- *Purpose:* Presents the audited financial statements and related disclosures with the auditors' opinion regarding the presentation of the financial statements.
- *Results:* The auditors' opinion is that, in all material respects, the financial statements fairly present the City's financial position and financial activities for fiscal year 2024-25.

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 2024-25.

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 2024-25 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 2024-25.

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.

Jean Dietrich of CliftonLarsonAllen LLP will present an overview of the City's ACFR and audit reports for discussion with City Council. 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.

Changes to Governmental Accounting Standards

GASB Statement No. 101, *Compensated Absences*. This statement establishes standards of accounting and financial reporting for (a) compensated absences and (b) associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB). The requirements of this Statement are effective for fiscal years beginning after December 31, 2023. The City partially implemented this standard in fiscal year 2024 and completed full implementation for fiscal year 2025.

GASB Statement No. 102, *Certain Risk Disclosures*. This statement establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. The requirements of this Standard are effective for fiscal years beginning after June 15, 2024. The City implemented this standard for fiscal year 2025.

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.



2025

ANNUAL
COMPREHENSIVE
FINANCIAL REPORT

City of Sedona, Arizona

for fiscal year ended June 30, 2025

Prepared by the Financial Services Department

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CITY OF SEDONA, ARIZONA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED JUNE 30, 2025

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INTRODUCTORY SECTION

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**CITY OF SEDONA
102 ROADRUNNER DR.
SEDONA, AZ 86336**

February 25, 2026

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

We are pleased to submit to you the fiscal year 2025 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, 2025, 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, 2025, are fairly presented, in all material respects, and are in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the City

The City of Sedona incorporated in 1988 as a Council-Manager form of government with a seven-member City Council, consisting of a Mayor and six Council Members, all of whom are elected at large. The position of Mayor is elected to a two-year term with Council Members being elected to four-year staggered terms. The City Council is vested with policy and legislative authority and is responsible for passing ordinances, adopting the budget, appointing committee, commission, and board members, and appointing the positions of City Manager, City Attorney, and Magistrate Judge. The City Manager is responsible for carrying out the policies and enforcing the ordinances of the City Council, as well as overseeing the day-to-day operations of the City.

The City encompasses approximately 21 square miles and is located in both Yavapai and Coconino Counties. The estimated current population is about 10,000, a decrease from the City's peak of 11,436 in 2009. Prior to the state legislature passing Senate Bill (SB) 1350 restricting Arizona cities from prohibiting short-term rentals, the City did not allow them within the City limits. With the removal of local authority and the City's prohibition, the short-term rental market exploded, short-term rentals displaced full-time residents, and housing prices that were already high increased beyond affordability for the area workforce. The City continues to work to manage growth in alignment with the character of Sedona, annexing approximately two square miles in Yavapai County in fiscal year 2025. This annexation area includes the wastewater treatment facility and the Dells, a city-owned property that is being considered for future development. The remainder of the annexed land is part of the Coconino National Forest and is managed by the U.S. Forest Service.

The City provides a wide range of municipal services, including police protection, sewer services, construction and maintenance of streets, traffic control, on- and off-street parking, recreational and cultural events, planning and zoning services, tourism and economic development services, housing programs, sustainability programs, and general administrative services. Sedona offers community facilities including a swimming pool, several neighborhood parks and a nearly 80-acre community park at Posse Grounds, which includes a small amphitheater, event center, skate park, an ultimate frisbee area, a bike skills park, basketball, tennis and pickleball courts, as well as a sand volleyball court, hiking and walking trails, a playground, picnic ramadas, barbecue grills and tables, as well as passive green space.

To provide a greater range of services, the City has partnered with six local non-profit organizations to provide various community services that would be less cost-effective were they City functions. Partner-operated functions include library services, community center operations, special needs transportation, animal shelter services, a museum, and recycling services. These partnerships are governed under contracts that are reviewed annually and renewed every three years.

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 two 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 budgetary limits locally. To maintain the Home Rule option, voters must authorize this option every four years. In August 2022, the citizens of Sedona reauthorized the Home Rule option, which is 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 result in annual visitation of over 3 million. The majority of total sales and bed tax revenues are generated by the City's tourism industry.

The median age in the community is 64, and the community consists largely of retired citizens, second homes, and short-term rental properties owned by investors. The City is focused on economic development initiatives to improve and diversify opportunities for housing affordability and local business owners. The lack of affordable housing within Sedona results in most employees commuting from other locations within the Verde Valley area and beyond. There is a limited employee base in the Verde Valley area, making competition for qualified employees challenging..

In 2023, the City Council designated the City as the official Destination Marketing Organization (DMO) for Sedona. Recent marketing campaigns have focused on sustainable tourism, both in volume and in the preservation of the local community and environment. This effort includes an 11-member tourism advisory board which provides input to the Council and staff on decisions related to tourism strategic planning, branding and marketing, visitor management, regional tourism efforts, and any other tourism-related matters. One of the primary goals of establishing this advisory body was to ensure sufficiently broad diversity in representation, perspectives, and opinions.

Economic Outlook

Taxable Sales: The City of Sedona relies heavily reliance on sales and bed tax revenues, and, as previously mentioned, the local economy is primarily driven by taxes from tourism-related activities. Overall, sales and bed tax revenues comprise approximately 76% of the more than \$51 million in General Fund revenues.

The City's total sales tax rate is currently at 3.5% with one-half percent dedicated to transportation. Sales tax revenues increased 3% in fiscal year 2025, after an increase of 6% in fiscal year 2024. The City's transient occupancy, or bed tax, is also 3.5%, and is allocated to the General Fund. Total bed tax collected in fiscal year 2025 was \$9,261,010, down \$23,670, or 0.25% from the prior year. While collections decreased, they nevertheless came in slightly higher than budget. The City budgets conservatively, with an awareness of the potential volatility of major revenue streams. The City continues to see financially sustainable performance in tax collections; however, economic uncertainty and national trends suggesting that household discretionary spending is down, which were borne out by the bed tax performance in fiscal year 2025, may continue to impact local revenues. The national trends and uncertainty lead to a decision to keep revenues flat for the fiscal year 2026 budget relative to fiscal year 2025.

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 10% 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 not been increasing at the rate that many other municipalities in Arizona are experiencing, it is anticipated that the City's portion of State shared revenues will decrease over time. Any increases would be the 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 conservative assumptions and potential recessionary periods based on a combination of information from various economists.

The City maintains a ten-year capital budget plan, which is updated annually to reflect new cost estimates, community priorities and emergent projects. This plan serves to ensure that the City's facilities, equipment, and infrastructure are well maintained and operational, in addition to addressing the capital needs of the community. With each annual update, the first three years of the plan should be fully funded. The \$48.3 million capital improvement program budget for fiscal year 2025 included \$32 million for Sedona in Motion (streets and transportation related improvements), \$8.2 million for wastewater projects, \$3 million for park projects, and \$2.3 million for public transit projects.

Unassigned fund balance in the General Fund as of June 30, 2025 was \$21.96 million, or 69.5% of General Fund budgeted expenditures. This amount exceeded the policy of 30% adopted by the Council. Any allocation of General Fund surplus will be determined in the budget cycle process for fiscal year 2027.

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, as discussed above. Expenditure projections include anticipated operating impacts of capital improvement expenditures and planned expansion of service. 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 are critical to the City maintaining a 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 2025 adopted budget projected General Fund surplus balances at the end of the year of \$3.4 million. At June 30, 2025, all the City's policy reserves were fully funded and General Fund surplus balances exceeding policy requirements at the end of the year were \$5.7 million.

Major Initiatives and Service Efforts and Accomplishments for the Year

During fiscal year 2025, 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 2025 that align with the Community Plan, which was adopted in 2024.

Implement mobility and circulation improvements - Sedona In Motion

- Completed construction of the Forest Road connector from Uptown to SR 89A, to provide an alternative route to the Y roundabout.

- The pedestrian crossing at Oak Creek was opened with a ribbon cutting in September of 2024.
- Construction began on the Andante Shared Use Path, including drainage improvements to the area.
- Back O'Beyond Road and trailhead safety improvements were substantially completed.
- Broke ground on phase three of the Dry Creek Road shared-use path, from Gringo Road to White Bear Road, connecting into the existing path that leads to the Dry Creek Vista Trailhead. The future phase four of this project will extend the path all the way to SR 89A.
- Began work on the Uptown Parking Garage

Expand and enhance Sedona's public transit system and parking

- In March 2025, Sedona Shuttle Trailhead service surpassed 1 million rides since implemented in March 2022, confirming strong demand and long-term viability of the Sedona Shuttle program.
- Launched Sedona Shuttle Connect On-Demand microtransit service in August 2024, expanding mobility options for residents and visitors.
- Initiated the Uptown Circulator Study, advancing planning for a future fixed-route hop on / hop off transit circulator to popular sites including Uptown, Tlaquepaque and Gallery Row to improve local mobility and reduce parking pressure.
- Launched the design phase of a future Transit Maintenance and Operations Facility, establishing critical infrastructure to support current service and future transit expansion and regional partnerships.

Foster affordable and workforce housing opportunities in the Verde Valley

- Construction began on a 30-unit affordable housing complex on Shelby Drive; anticipated to be complete in early summer, 2026.
- The City acquired a parcel in West Sedona on SR 89A with the intention of developing the site for additional workforce housing.
- Five single family homes that were previously short-term rentals were converted to long-term through the Rent Local Program.
- The Down-Payment Assistance Program issued one loan to a local worker for a down payment on a home.
- The Sedona Home Repair Program remained active with approved applications increasing year-over-year.

Explore opportunities for environmental stewardship/sustainability

- Completed the fifth year of the Home Energy Retrofit Project, to date, 110 homes have been retrofitted.
- Completed the fifth year of the Community Food Scraps Composting Program with 125 residents participating and over 38,000 pounds of food scraps diverted from the landfill.
- Hosted the 7th Annual Household Hazardous Waste and Electronics Collection Event with a record 430 participants and over 28,000 pounds of waste collected.
- Implemented zero waste efforts at the Sedona Food Truck Festival, Breakfast with Santa, Celebration of Spring, and other events with Parks and Recreation.

- Received \$250,000 Energy Efficiency and Conservation Block Grant (EECBG) for Municipal Decarbonization Planning and Design.

Create park space and amenities that meet community needs

- Ranger Station Park
 - Completed construction on the playground, including the installation of large, wooden javalina play structures.
 - Work began on the interior of the barn and house, including an art installation.
 - Continued design and planning for park restroom facilities.
- Posse Grounds Park
 - Completed construction of eight pickleball courts.
 - Pickleball activity ramped up with the completion of the courts with the Red Rock Rally and Fest of Fall Pickleball Rally drawing a combined 325 participants.
 - Continued work on design for the concession building and restrooms.

Strengthen Sedona's role as a hub for creativity, culture and art

- Sedona expanded the City's art collection with public art installations in roundabouts.
- The Sedona Poet Laureate Program was launched in collaboration with Community Library Sedona, ensuring the literary arts grow to inspire all generations in our community.
- A community mural depicting the history of Ranger Station Park was underway in the Ranger Station barn.

Looking to 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 strategies that, by virtue of their scope, complexity, and/or potential impact, require a coordinated multi-department action plan and budget.
- The City Council refines and updates priorities as part of the annual budget process. Some of the fiscal year 2026 priorities include completing various transportation projects to improve circulation, mitigate traffic, and add facilities for cyclists and pedestrians, continued expansion and enhancement of the public transit system, developing creative methods to address the affordability of housing, and continued implementation of sustainability and climate action initiatives. The City Council works closely with City management to implement specific objectives and tasks designed to meet these goals.

Awards and Acknowledgments

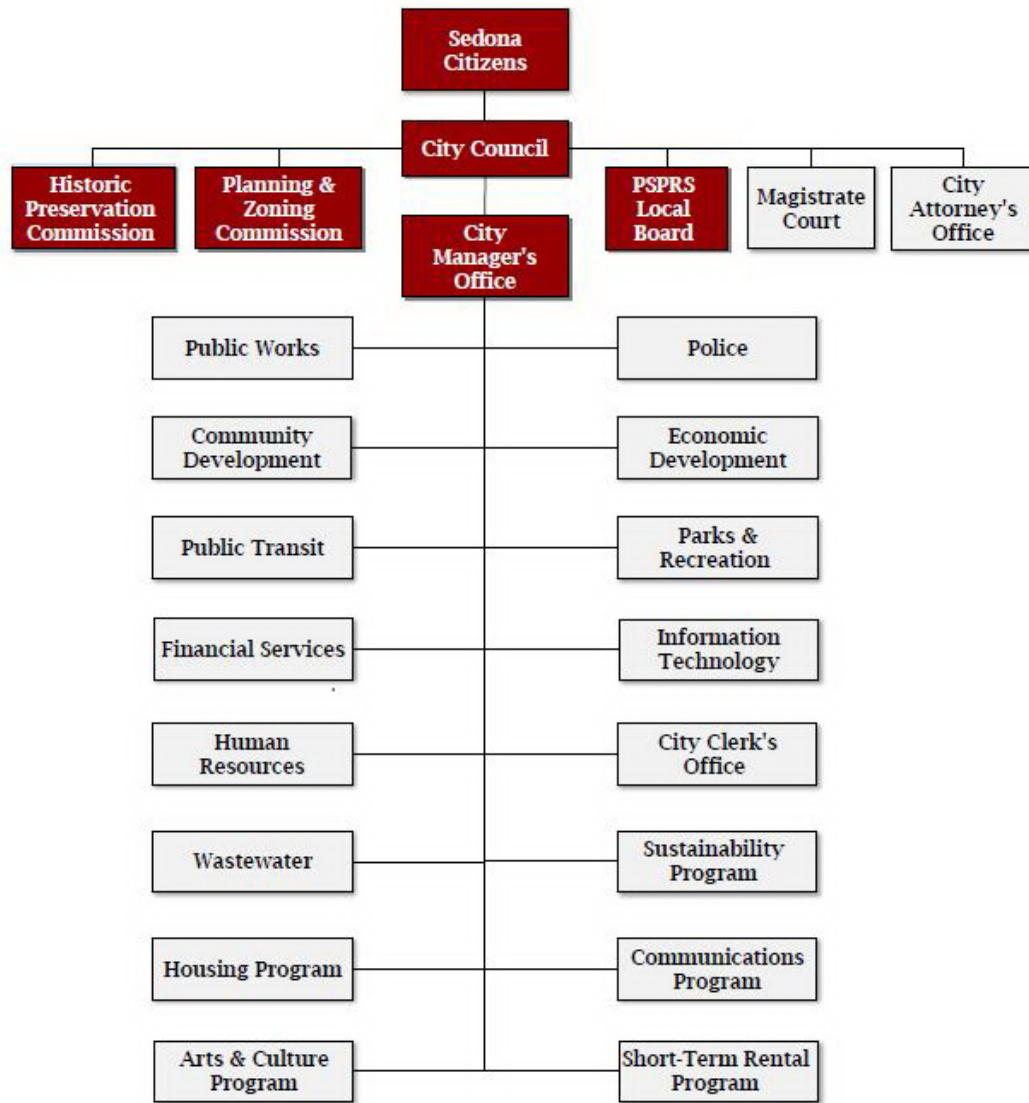
- The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sedona, Arizona for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024. This was the 26th year that the City of Sedona has achieved this prestigious award. 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 2025. 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,



Anette Spickard
City Manager

**CITY OF SEDONA, ARIZONA
ORGANIZATIONAL CHART
JUNE 30, 2025**



**CITY OF SEDONA, ARIZONA
LIST OF ELECTED AND APPOINTED OFFICIALS
JUNE 30, 2025**

Holli Ploog
Mayor

Brian Fultz
Vice Mayor

Councilmembers

Melissa Dunn

Pete Furman

Kathy Kinsella

Derek J. Pfaff

Charlotte Hosseini

Anette Spickard
City Manager

J. Andy Dickey
Deputy City Manager

Barbara Whitehorn, CTP
Director of Financial Services



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, 2024

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2025, 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 accompanying 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, 2025, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve 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 fund financial 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 fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Phoenix, Arizona
February 25, 2026

REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

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, 2025. 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 2025 and 2024 are as follows:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal years 2025 and 2024 by \$284.2 million and \$261.0 million (net position), respectively. Of these amounts, \$86.5 million and \$59.5 million (unrestricted net position), respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position increased by \$18.7 million during fiscal year 2025 and \$27.3 million during fiscal year 2024.
- As of June 30, 2025 and 2024, the City's governmental funds reported combined ending fund balances of \$84.5 million and \$69.3 million, respectively, which were comprised of nonspendable, restricted, committed, assigned, and unassigned fund balances.
- At the close of fiscal year 2025, unassigned fund balance for the General Fund was \$21.8 million, or 68.6% of actual expenditures; City policy requires a minimum unassigned balance of 30%.

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.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government Wide Financial Statements (Continued)

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.

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 36 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.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

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 38 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.

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 45 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 49 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 page 98 of this report.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Combining and Individual Fund Financial Statements and Schedules

The combining statements referred to earlier, in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions and OPEB. The combining and individual fund financial statements and schedules can be found beginning on page 109 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 \$284.2 million and \$261.0 million at the close of the fiscal years 2025 and 2024, respectively.

**CITY OF SEDONA, ARIZONA
CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2025 AND 2024**

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and Other Assets	\$ 100,848,255	\$ 81,720,570	\$ 29,874,487	\$ 31,234,067	\$ 130,722,742	\$ 112,954,637
Capital Assets	137,284,367	117,205,049	104,642,151	103,054,428	241,926,518	220,259,477
Total Assets	238,132,622	198,925,619	134,516,638	134,288,495	372,649,260	333,214,114
Deferred Outflows of Resources	3,949,422	9,194,414	321,033	258,713	4,270,455	9,453,127
Long-Term Liabilities						
Outstanding	67,772,268	54,239,719	6,795,406	11,542,522	74,567,674	65,782,241
Other Liabilities	10,854,725	9,608,534	6,136,726	5,596,490	16,991,451	15,205,024
Total Liabilities	78,626,993	63,848,253	12,932,132	17,139,012	91,559,125	80,987,265
Deferred Inflows of Resources	1,081,890	560,869	111,373	72,905	1,193,263	633,774
Net Position:						
Net Investment in Capital						
Assets	100,315,521	88,309,570	94,114,405	93,215,821	194,429,926	181,525,391
Restricted	3,159,307	19,994,818	54,110	47,317	3,213,417	20,042,135
Unrestricted	58,898,333	35,406,523	27,625,651	24,072,153	86,523,984	59,478,676
Total Net Position	\$ 162,373,161	\$ 143,710,911	\$ 121,794,166	\$ 117,335,291	\$ 284,167,327	\$ 261,046,202

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net Position (Continued)

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 \$194.4 million (68%) and \$181.5 million (69%) for the fiscal years 2025 and 2024, 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, \$3.2 million (1%) for fiscal year 2025 and \$20.0 million (8%) for fiscal year 2024, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position for fiscal years 2025 and 2024, \$86.5 million (31%) and \$59.5 million (23%), 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.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Net Position

The City's net position increased by \$23.1 million and \$27.3 million during the fiscal years 2025 and 2024, respectively. These changes are explained in the governmental and business-type activities discussion below.

**CITY OF SEDONA, ARIZONA
CONDENSED STATEMENT OF ACTIVITIES
FISCAL YEARS ENDED JUNE 30, 2025 AND 2024**

	Governmental Activities		Business-Type Activities		Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,911,433	\$ 2,773,954	\$ 6,493,485	\$ 6,291,454	\$ 9,404,918	\$ 9,065,408
Operating Grants and Contributions	2,537,103	1,571,718	95,880	50,752	2,632,983	1,622,470
Capital Grants and Contributions	80,148	300,000	993,856	2,868,296	1,074,004	3,168,296
General Revenues:						
Local Taxes	45,497,807	44,442,933	-	-	45,497,807	44,442,933
State Revenue Sharing	4,413,423	4,832,386	-	-	4,413,423	4,832,386
Investment Earnings (Loss)	4,003,806	4,044,026	1,279,495	1,516,139	5,283,301	5,560,165
Gain/Loss on Disposal of Capital Assets	2,222,957	-	-	-	2,222,957	-
Other Revenues	111,205	330,394	54,827	47,438	166,032	377,832
Total Revenues	61,777,882	58,295,411	8,917,543	10,774,079	70,695,425	69,069,490
Expenses:						
General Government	3,856,316	3,804,504	-	-	3,856,316	3,804,504
Public Safety	11,029,879	10,563,446	-	-	11,029,879	10,563,446
Public Works and Streets	8,893,513	8,286,653	-	-	8,893,513	8,286,653
Culture and Recreation	4,774,444	3,814,279	-	-	4,774,444	3,814,279
Economic Development	2,074,431	1,092,424	-	-	2,074,431	1,092,424
Health and Welfare	768,391	748,000	-	-	768,391	748,000
Public Transportation	96,870	80,000	2,893,385	2,369,482	2,990,255	2,449,482
Housing	376,947	406,898	-	-	376,947	406,898
Sustainability	820,424	710,604	-	-	820,424	710,604
Interest on Long-Term Debt	2,682,798	1,021,280	-	-	2,682,798	1,021,280
Wastewater	-	-	9,306,902	8,899,052	9,306,902	8,899,052
Total Expenses	35,374,013	30,528,088	12,200,287	11,268,534	47,574,300	41,796,622
Increase (Decrease) in Net Position Before Transfers	26,403,869	27,767,323	(3,282,744)	(494,455)	23,121,125	27,272,868
Transfers	(7,741,619)	(6,554,824)	7,741,619	6,554,824	-	-
Change in Net Position	18,662,250	21,212,499	4,458,875	6,060,369	23,121,125	27,272,868
Net Position - Beginning of Year	143,710,911	122,498,412	117,335,291	111,274,922	261,046,202	233,773,334
Net Position - End of Year	<u>\$ 162,373,161</u>	<u>\$ 143,710,911</u>	<u>\$ 121,794,166</u>	<u>\$ 117,335,291</u>	<u>\$ 284,167,327</u>	<u>\$ 261,046,202</u>

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Net Position (Continued)

Governmental Activities – In fiscal year 2025, governmental activities increased the net position of the City by \$18.7 million. Total revenues increased \$3.4 million (6%) from fiscal year 2024. Program revenues, which are comprised of charges for services, operating and capital grants and contributions, increased \$2.6 million (20%) due to several factors including a concerted effort on the part of staff to identify and apply for grant funding whenever possible. General revenues, which include local taxes, state revenue sharing, investment income, and other revenues, increased \$2.5 million (5%), which was the result of increased sales and bed tax collections and the sale of land of almost \$3 million. These increases offset a reduction in state shared revenue of over \$400 thousand.

Expenses increased approximately \$4.8 million, or 16%. This increase is driven in part by an increase in interest on long-term debt of \$1.5 million. Over the last several years, the City issued excise tax revenue bonds, Series 2022, Second Series 2022, \$10,148,000 and Series 2024, for \$21,640,000, \$10,148,000, and \$17,645,000, respectively, to fund major capital projects including the Forest Road connector and the parking garage in uptown. Other expense increases discussed below include investments in economic development, and inflationary cost increases throughout the City.

Culture and recreation expenses have been up and down for the last three years but appear to be normalizing. Fiscal year 2023 saw the resumption of special events and programs that were impacted by the pandemic, the addition of some new special events, as well as a support agreement for the Sedona Historical Society. Fiscal year 2024 saw a decrease from 2023, primarily due to conservative budgeting after revenues came in lower than anticipated in 2023. 2025 increased about \$950 thousand, or 25%, with programs and events increasing to meet community demand.

Economic development expenses increased in fiscal year 2025 after a decrease of \$0.6 million or 36% in fiscal year 2024. The decrease was largely due to reductions in the Sedona Chamber of Commerce & Tourism Bureau contract to realign expectations of the Tourism Bureau activities conducted by the City, and vacancy savings. Vacancies decreased in fiscal year 2025, and marketing and advertising expenses increased as the City fully engaged the in-house Tourism Bureau.

Sustainability expenses increased slightly as planned initiatives and programs were implemented. Sustainability is a priority of the City and departments align needs with environmental sustainability and carbon reduction goals.

Business-Type Activities – Business-type activities increased the City's net position by \$4.5 million in fiscal year 2025. Total revenues decreased \$1.6 million, or 15%, and total expenses increased by \$1.6 million, or 14%.

The overall decrease in revenues was driven by a \$1.6 million reduction in grant revenue and a \$240 thousand decrease in investment earning year-over-year. Other revenues increased slightly, offsetting lower interest earnings.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – Funds are created and segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Activity not required to be reported in a separate fund is included in the General Fund.

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year, as they represent the portion of fund balance which has not been limited to use for a particular purpose by either an external party, the city itself, or been assigned for particular purposes by the City Council or management.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$84.5 million, an increase of \$15.2 million, or 18% in comparison with the prior year.

The General Fund is the chief operating fund of the City. At June 30, 2025, the unassigned fund balance of the General Fund was \$21.8 million, or 49% of the combined governmental fund balance. The unassigned fund balance of the General Fund at June 30, 2024 was \$19.2 million, or 28% 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 \$21.8 million represents 69% of actual General Fund expenditures.

The General Fund balance increase of \$2.4 million from fiscal year 2024 is being reviewed by the City Council and a portion of this will be allocated to various priorities and 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 at June 30, 2025, was \$2.8 million. The Streets Fund received a transfer of \$1.9 million from the General Fund to supplement the cost of street improvement projects, a decrease from fiscal year 2024 of \$360 thousand. State-shared revenue decreased; the state uses a calculation based on population to allocate the funds, and Sedona's growth lags the more urban Valley of the Sun (Phoenix area). Nevertheless, revenue overall increased 7%, just under \$100 thousand. Expenditures increased about 9%, just over \$200 thousand. The Streets Fund balance increased by \$527 thousand over fiscal year 2024.

The Transportation Sales Tax Fund is used to account for the half-cent sales tax dedicated to transportation projects and related administrative and operation costs. The fund balance at June 30, 2025, was a deficit of \$135 thousand. The Transportation Sales Tax Fund balance decreased \$5.3 million due to an increase in transfers to the Public Transit Fund and Capital Improvement Fund for operating and capital improvement costs.

The Capital Improvements Fund balance at June 30, 2025 was \$38.3 million. The Capital Improvements Fund balance increased \$20.4 million due to the issuance of the Series 2024 revenue bonds and transfers in from other funds.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

The Development Impact Fees (DIF) Fund balance at June 30, 2025 was a deficit of \$2.0 million. The DIF Fund balance decreased \$3.2 million due to eligible capital improvement projects exceeding DIF funding. The fees were increased in April 2025 after the completion of a new DIF study. It is anticipated that the new fees will minimize the necessity for other funds to cover the gap between the cost of DIF eligible projects and collected fees.

The nonmajor governmental funds remained relatively steady with an overall increase in fund balance of \$230 thousand.

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 fiscal year 2025 net position for the Wastewater Fund increased \$3.3 million to \$110 million, with an unrestricted net position of \$19.2 million, and \$91.4 million invested in capital assets. The General Fund subsidizes the Wastewater Fund. The subsidy decreases annually according to a plan to eliminate it in fiscal year 2027, aligning with a rate study and the retirement of debt.

At the end of the fiscal year the unrestricted net position for the Public Transit Fund was \$8.5 million an increase of \$1.2 million over fiscal year 2024. The public transit system is not self-supporting, relying on grants and the City's sales tax dedicated to transportation (transfers from the Transportation Sales Tax Fund). Providing free transportation to trailheads and inexpensive microtransit within the City is a strategy adopted by the City Council to mitigate traffic congestion and reduce the City's carbon footprint by encouraging visitors and residents to use alternative modes of transportation. The City will nevertheless continue to pursue grant opportunities for both the operating and capital needs of the system.

GENERAL FUND BUDGETARY HIGHLIGHTS

Before final budget adoption, the City Council adopts the Tentative Budget, which sets the expenditure limitation for the fiscal year. Arizona law does not allow increases to the budget after the tentative budget is set. No amendments are allowed during the fiscal year. Changes may be made between the adoption of the tentative budget, usually in May, and the Final Budget, adopted in June annually. Changes in this phase are usually related to ongoing projects and programs, where timing may or may not allow for the expenditures to be recorded in the current fiscal year. Council may also direct the City Manager to use unspent budget capacity in the current year to further priorities. For fiscal year 2025, there was a reduction in the budgeted expenditures for the General Fund of \$100 thousand. No other notable changes were made.

General Fund actual revenue and expenditures reflected favorable variances to the final budget. Revenues, budgeted at \$45,882,620, came in at \$49,074,967, nearly 12% more than budget. Expenditures also came in with a 12% positive variance; total actual expenditures were \$31,761,305 versus a budget of \$35,748,870. Expenditures included capital outlay of \$2.8 million that was not budgeted but was covered through transfers from other budget line items at City Council's direction.

Several departments experienced significant turnover and resultant vacancy savings during the year. A salary market study was conducted during the fiscal year, and the recommended adjustments were included in the fiscal year 2026 budget.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

Departments with the most significant variances are as follows: Community Development, approximately \$1.3 million under budget, or 63%, driven by vacancies and development project delays; Financial Services, about \$400 thousand under budget (24%) and Public Works, about \$500 thousand under budget (10%) primarily due to vacancy savings.

Police expenditures were nearly \$4 million under budget because of a multi-year effort to fund the City's unfunded liability in the police pension plan, the Arizona Public Safety Personnel Retirement System (PSPRS). As of June 30, 2024, the plan was fully funded and an additional lump sum payment in fiscal year 2025 was unnecessary.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2025 and 2024 amount to \$241.9 million and \$220.3 million, respectively (net of accumulated depreciation). The net increase in capital assets (net of accumulated depreciation) was \$21.6 million. Capital assets include land and improvements, buildings and improvements, wastewater systems, infrastructure, machinery, vehicles, equipment, construction in progress, and right-to-use subscription and lease assets.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

**CITY OF SEDONA, ARIZONA
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION
JUNE 30, 2025 AND 2024**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Land	\$ 40,425,337	\$ 37,419,695	\$ 12,876,460	\$ 12,876,460	\$ 53,301,797	\$ 50,296,155
Construction in Progress	14,671,154	26,219,764	2,290,106	5,848,138	16,961,260	32,067,902
Land Improvements	15,755,652	8,617,734	273,679	289,550	16,029,331	8,907,284
Buildings and Improvements	6,990,738	7,498,449	(6,686)	-	6,984,052	7,498,449
Wastewater System	-	-	87,055,543	83,333,149	87,055,543	83,333,149
Infrastructure	55,560,504	33,461,716	156,498	166,320	55,717,002	33,628,036
Machinery, Equipment, and Vehicles	1,226,643	1,586,802	1,824,314	445,858	3,050,957	2,032,660
Right-to-Use Subscription Assets	18,646	18,646	-	-	18,646	18,646
Right-to-Use Lease Assets:						
Land Improvements	72,358	83,150	-	-	72,358	83,150
Buildings and Improvements	1,816,717	1,936,571	-	-	1,816,717	1,936,571
Machinery, Equipment, and Vehicles	746,618	362,522	172,237	94,953	918,855	457,475
Total Capital Assets	<u>\$ 137,284,367</u>	<u>\$ 117,205,049</u>	<u>\$ 104,642,151</u>	<u>\$ 103,054,428</u>	<u>\$ 241,926,518</u>	<u>\$ 220,259,477</u>

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

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

- The completion of the playground and buildout of Ranger Station Park
- Completion of the Forest Road connector, a major infrastructure project adding a connection from uptown to SR89A
- Ongoing traffic improvements
- Shared Use Paths
- Two new micro transit vehicles

Additional information on the City's capital assets can be found in Note 5 beginning on page 70 of this report.

Long-Term Debt

At the end of fiscal year 2025, the City, had total bonded debt outstanding of \$58.3 million (including related premium). At the end of fiscal year 2024, the City had bonded debt totaling \$45.4 million. All of the fiscal year 2025 total bonded debt was related to revenue bonds. Financed purchases and leases outstanding as of June 30, 2025 and 2024 were \$4.0 million and \$4.8 million, respectively.

**CITY OF SEDONA, ARIZONA
OUTSTANDING OBLIGATIONS
JUNE 30, 2025 AND 2024**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenue Bonds	\$ 54,049,843	\$ 36,842,346	\$ 4,283,000	\$ 8,516,000	\$ 58,332,843	\$ 45,358,346
Financed Purchases	1,024,519	819,665	975,898	1,430,350	2,000,417	2,250,015
Leases	2,021,784	2,455,373	6,691	100,200	2,028,475	2,555,573
Total Outstanding Debt	<u>\$ 57,096,146</u>	<u>\$ 40,117,384</u>	<u>\$ 5,265,589</u>	<u>\$ 10,046,550</u>	<u>\$ 62,361,735</u>	<u>\$ 50,163,934</u>

The City's total debt increased by \$12.2 million (24%) during the current fiscal year.

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, 2025, was \$28.6 million in the 6% capacity and \$95.4 million in the 20% capacity. In fiscal year 2024, the 6% capacity limit was \$28.6 million and the 20% capacity limit was \$95.4 million. Additional information on the debt limitations and capacities may be found on page 128 in the statistical section of this report.

Additional information on the City's long-term debt can be found in Notes 8 through 11 on pages 74-78 of this report.

**CITY OF SEDONA, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

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 76% of sales tax revenues are generated by the City's tourism industry.

Fiscal year 2026 budgeted General Fund expenditures (including interfund transfers) are balanced with anticipated revenue. The total adopted fiscal year 2026 budget is \$103.3 million, which includes capital projects of \$42.3 million. The budget for fiscal year 2026 includes the following considerations:

- Revenues were held flat year-over-year in light of economic uncertainty that might impact sales and bed taxes, the City's largest revenue streams.
- Personnel costs represented the largest increases, most notably the addition of five (5) patrol officers, three (3) traffic officers, a community outreach officer, and an emergency management coordinator in the Police Department, as well as some additional part-time positions throughout the City to address traffic congestion, records requests and maintenance.
- Contingencies increased \$4.1 million over fiscal year 2025. Because the State of Arizona does not allow budget amendments during the fiscal year, maintaining adequate contingencies is critical to ensuring that the City can address any challenges or opportunities that arise. Budgeting general contingencies also helps to manage department and program budgets, allowing leadership flexibility without over-budgeting at the line-item and department level.
- The capital budget decreased from \$48.2 million in fiscal year 2025 to \$42.1 million in fiscal year 2026. Several large projects are underway; the Forest Road connector was nearly complete as of June 30, 2025, and the uptown parking garage is anticipated to be complete by the end of fiscal year 2026.
- The fiscal year 2026 budget projects a surplus in the General Fund of approximately \$7.8 million. Actual surpluses will be allocated in the next budget process to Council priorities and/or capital improvement projects.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the City's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to:

City of Sedona Financial Services Department
102 Roadrunner Drive
Sedona, AZ 86336
(928) 204-7185

Or visit our website at www.SedonaAZ.gov/finance.

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BASIC FINANCIAL STATEMENTS

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CITY OF SEDONA, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 66,500,134	\$ 24,540,841	\$ 91,040,975
Restricted Assets	23,923,011	4,296,549	28,219,560
Receivables, Net of Allowance for Uncollectibles:			
Taxes Receivable	3,722,730	-	3,722,730
Accounts Receivable	393,428	537,047	930,475
Intergovernmental Receivable	1,334,495	235,124	1,569,619
Accrued Interest	226,367	81,461	307,828
Loans Receivable	2,406,864	-	2,406,864
Internal Balances	(117,019)	117,019	-
Prepaid Items and Other Assets	353,006	12,336	365,342
Net Pension/OPEB Asset	2,105,239	54,110	2,159,349
Capital Assets:			
Nondepreciable	55,096,491	15,166,566	70,263,057
Depreciable (Net)	82,187,876	89,475,585	171,663,461
Total Assets	<u>238,132,622</u>	<u>134,516,638</u>	<u>372,649,260</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions/OPEB	3,851,026	312,403	4,163,429
Deferred Charges on Debt Refunding	98,396	8,630	107,026
Total Deferred Outflows of Resources	<u>3,949,422</u>	<u>321,033</u>	<u>4,270,455</u>
LIABILITIES			
Accounts Payable	1,996,561	519,881	2,516,442
Accrued Wages and Benefits	702,833	8,406	711,239
Construction Contracts Payable	2,630,707	638,458	3,269,165
Interest Payable	1,119,200	49,393	1,168,593
Matured Debt Principal Payable	1,502,000	4,233,000	5,735,000
Retainage Payable	1,234,467	349,829	1,584,296
Due to Other Government Units	21,514	-	21,514
Deposit Payable	23,742	14,050	37,792
Unearned Revenue	1,623,701	323,709	1,947,410
Noncurrent Liabilities:			
Due within One Year	2,257,961	4,705,780	6,963,741
Due in More than One Year	65,514,307	2,089,626	67,603,933
Total Liabilities	<u>78,626,993</u>	<u>12,932,132</u>	<u>91,559,125</u>
DEFERRED INFLOWS RELATED TO PENSIONS/OPEB	<u>1,081,890</u>	<u>111,373</u>	<u>1,193,263</u>
NET POSITION			
Net Investment in Capital Assets	100,315,521	94,114,405	194,429,926
Restricted for:			
Net Pension/OPEB Asset	2,105,239	54,110	2,159,349
Court Improvements	69,164	-	69,164
Criminal Case Processing	68,022	-	68,022
Summit CFD Improvements	297,258	-	297,258
Fairfield CFD Improvements	300,611	-	300,611
Public Art	32,533	-	32,533
Grants	286,480	-	286,480
Unrestricted	58,898,333	27,625,651	86,523,984
Total Net Position	<u>\$ 162,373,161</u>	<u>\$ 121,794,166</u>	<u>\$ 284,167,327</u>

See accompanying Notes to Financial Statements.

**CITY OF SEDONA, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities:							
General Government	\$ 3,856,316	\$ 1,815,281	\$ 51,067	\$ -	\$ (1,989,968)	\$ -	\$ (1,989,968)
Public Safety	11,029,879	563,045	1,383,041	-	(9,083,793)	-	(9,083,793)
Public Works and Streets	8,893,513	244,779	1,102,995	80,148	(7,465,591)	-	(7,465,591)
Culture and Recreation	4,774,444	288,328	-	-	(4,486,116)	-	(4,486,116)
Economic Development	2,074,431	-	-	-	(2,074,431)	-	(2,074,431)
Health and Welfare	768,391	-	-	-	(768,391)	-	(768,391)
Public Transportation	96,870	-	-	-	(96,870)	-	(96,870)
Housing	376,947	-	-	-	(376,947)	-	(376,947)
Sustainability	820,424	-	-	-	(820,424)	-	(820,424)
Interest on Long-Term Debt	2,682,798	-	-	-	(2,682,798)	-	(2,682,798)
Total Governmental Activities	35,374,013	2,911,433	2,537,103	80,148	(29,845,329)	-	(29,845,329)
Business-Type Activities:							
Wastewater	9,306,902	6,466,704	-	993,856	-	(1,846,342)	(1,846,342)
Public Transportation	2,893,385	26,781	95,880	-	-	(2,770,724)	(2,770,724)
Total Business-Type Activities	12,200,287	6,493,485	95,880	993,856	-	(4,617,066)	(4,617,066)
Total Primary Government	<u>\$ 47,574,300</u>	<u>\$ 9,404,918</u>	<u>\$ 2,632,983</u>	<u>\$ 1,074,004</u>	(29,845,329)	(4,617,066)	(34,462,395)
GENERAL REVENUES							
Taxes:							
Sales Taxes					43,830,305	-	43,830,305
Franchise Taxes					937,111	-	937,111
In-Lieu Taxes					730,391	-	730,391
Unrestricted State Income Tax Revenue Sharing					2,097,434	-	2,097,434
Unrestricted State Sales Tax Revenue Sharing					1,505,582	-	1,505,582
Unrestricted Auto Lieu Tax Revenue Sharing					810,407	-	810,407
Investment Earnings					4,003,806	1,279,495	5,283,301
Gain/Loss on Disposal of Capital Assets					2,222,957	-	2,222,957
Other Revenues					111,205	54,827	166,032
TRANSFERS					(7,741,619)	7,741,619	-
Total General Revenues and Transfers					<u>48,507,579</u>	<u>9,075,941</u>	<u>57,583,520</u>
CHANGE IN NET POSITION					18,662,250	4,458,875	23,121,125
Net Position - Beginning of Year					<u>143,710,911</u>	<u>117,335,291</u>	<u>261,046,202</u>
NET POSITION - END OF YEAR					<u>\$ 162,373,161</u>	<u>\$ 121,794,166</u>	<u>\$ 284,167,327</u>

See accompanying Notes to Financial Statements.

**CITY OF SEDONA, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025**

	General	Streets	Transportation Sales Tax	Capital Improvements	Development Impact Fees	Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash and Investments	\$ 37,628,655	\$ 3,413,434	\$ -	\$ 20,882,501	\$ -	\$ 1,669,342	\$ 63,593,932
Restricted Assets	2,630,243	-	-	21,292,768	-	-	23,923,011
Receivables, Net of Allowance for Uncollectibles:							
Taxes Receivable	3,358,054	-	364,676	-	-	-	3,722,730
Accounts Receivable	367,364	-	-	-	-	26,064	393,428
Intergovernmental Receivable	114,599	110,721	-	1,109,175	-	-	1,334,495
Accrued Interest	124,998	11,056	-	72,454	3,258	5,188	216,954
Loans Receivable	2,406,864	-	-	-	-	-	2,406,864
Due from Other Funds	1,386,649	-	-	-	-	-	1,386,649
Prepaid Items and Other Assets	133,395	-	-	96,000	-	-	229,395
Total Assets	\$ 48,150,821	\$ 3,535,211	\$ 364,676	\$ 43,452,898	\$ 3,258	\$ 1,700,594	\$ 97,207,458
LIABILITIES							
Accounts Payable	\$ 471,979	\$ 693,970	\$ -	\$ 718,723	\$ 9,038	\$ 18,040	\$ 1,911,750
Accrued Wages and Benefits	697,714	916	512	-	-	-	699,142
Construction Contracts Payable	-	-	-	2,042,984	587,723	-	2,630,707
Interest Payable	454,921	-	144,126	430,663	89,490	-	1,119,200
Matured Debt Principal Payable	1,502,000	-	-	-	-	-	1,502,000
Retainage Payable	-	-	-	955,347	279,120	-	1,234,467
Due to Other Government Units	21,462	-	-	-	-	52	21,514
Due to Other Funds	-	-	355,126	-	1,031,523	-	1,386,649
Deposit Payable	23,742	-	-	-	-	-	23,742
Unearned Revenue	-	-	-	1,029,578	-	594,123	1,623,701
Total Liabilities	3,171,818	694,886	499,764	5,177,295	1,996,894	612,215	12,152,872
DEFERRED INFLOWS OF RESOURCES							
Deferred Inflows - Unavailable Revenue	608,468	-	-	-	-	-	608,468
FUND BALANCES (DEFICITS)							
Nonspendable	2,540,259	-	-	96,000	-	-	2,636,259
Restricted	137,186	-	-	-	-	916,882	1,054,068
Committed	41,446	195,200	-	-	-	94,239	330,885
Assigned	19,857,421	2,645,125	-	38,179,603	-	77,258	60,759,407
Unassigned	21,794,223	-	(135,088)	-	(1,993,636)	-	19,665,499
Total Fund Balances (Deficits)	44,370,535	2,840,325	(135,088)	38,275,603	(1,993,636)	1,088,379	84,446,118
Total Liabilities and Fund Balances (Deficits)	\$ 48,150,821	\$ 3,535,211	\$ 364,676	\$ 43,452,898	\$ 3,258	\$ 1,700,594	\$ 97,207,458

See accompanying Notes to Financial Statements.

CITY OF SEDONA, ARIZONA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2025

Total Fund Balances for Governmental Funds	\$	84,446,118
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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		181,977,058
Accumulated Depreciation and Amortization		(44,910,373)
Capital Assets Used in Governmental Activities		137,066,685

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		3,708,512
Deferred Inflows Related to Pensions/OPEB		(1,029,313)

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

608,468

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

2,079,273

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		(49,716,000)
Compensated Absences		(735,025)
Financed Purchases		(1,024,519)
Leases		(1,941,468)
Net Pension/OPEB Liability		(9,205,545)

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		98,396
Premium on Revenue Bonds		(4,333,843)

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		2,468,441
Amount Attributable to the Business-Type Activities		(117,019)

Net Position of Governmental Activities	\$	162,373,161
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See accompanying Notes to Financial Statements.

CITY OF SEDONA, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	General	Streets	Transportation Sales Tax	Capital Improvements	Development Impact Fees	Nonmajor Funds	Total Governmental Funds
REVENUES							
Taxes:							
Sales Taxes	\$ 38,755,967	\$ -	\$ 4,832,400	\$ -	\$ -	\$ -	\$ 43,588,367
Franchise Taxes	937,111	-	-	-	-	-	937,111
In-Lieu Taxes	576,810	-	-	-	-	153,581	730,391
Licenses and Permits	745,895	-	-	-	-	-	745,895
Intergovernmental	4,479,779	1,102,995	-	80,148	-	1,367,782	7,030,704
Charges for Services	916,151	-	-	-	-	5,157	921,308
Fines and Forfeitures	658,649	-	-	-	-	-	658,649
Contributions	-	-	-	462	-	46,148	46,610
Impact Fees	-	-	-	-	390,623	-	390,623
Investment Earnings (Loss)	1,778,842	152,038	51,096	1,724,462	58,284	108,866	3,873,588
Rents	106,832	-	-	-	-	-	106,832
Other Revenues	118,931	25,879	-	-	497	10,318	155,625
Total Revenues	49,074,967	1,280,912	4,883,496	1,805,072	449,404	1,691,852	59,185,703
EXPENDITURES							
Current:							
General Government	3,628,538	-	-	489,217	19,272	19,679	4,156,706
Public Safety	10,413,413	-	-	20,376	-	47,016	10,480,805
Public Works and Streets	3,435,247	2,246,676	142,536	-	-	12,652	5,837,111
Culture and Recreation	4,143,676	-	-	-	-	12,850	4,156,526
Economic Development	2,094,824	-	-	-	-	-	2,094,824
Health and Welfare	768,391	-	-	-	-	-	768,391
Public Transportation	82,880	-	-	-	-	-	82,880
Housing	376,947	-	-	-	-	13,990	390,937
Sustainability	820,424	-	-	-	-	-	820,424
Debt Service:							
Principal Retirement	2,271,603	-	-	-	-	-	2,271,603
Interest and Fiscal Charges	912,342	140,785	288,252	1,122,375	178,980	-	2,642,734
Capital Outlay	2,813,020	304,691	-	16,472,520	4,720,249	201,205	24,511,685
Total Expenditures	31,761,305	2,692,152	430,788	18,104,488	4,918,501	307,392	58,214,626
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	17,313,662	(1,411,240)	4,452,708	(16,299,416)	(4,469,097)	1,384,460	971,077
OTHER FINANCING SOURCES (USES)							
Revenue Bonds Issued	-	-	-	19,227,319	-	-	19,227,319
Transfers In	-	1,938,220	-	18,855,530	1,311,520	42,900	22,148,170
Transfers Out	(17,639,060)	-	(9,733,988)	(1,354,420)	-	(1,197,321)	(29,924,789)
Lease Agreements	540,868	-	-	-	-	-	540,868
Sale of Capital Assets	2,222,957	-	-	-	-	-	2,222,957
Total Other Financing Sources (Uses)	(14,875,235)	1,938,220	(9,733,988)	36,728,429	1,311,520	(1,154,421)	14,214,525
NET CHANGE IN FUND BALANCES	2,438,427	526,980	(5,281,280)	20,429,013	(3,157,577)	230,039	15,185,602
Fund Balances - Beginning of Year	41,932,108	2,313,345	5,146,192	17,846,590	1,163,941	858,340	69,260,516
FUND BALANCES - END OF YEAR	<u>\$ 44,370,535</u>	<u>\$ 2,840,325</u>	<u>\$ (135,088)</u>	<u>\$ 38,275,603</u>	<u>\$ (1,993,636)</u>	<u>\$ 1,088,379</u>	<u>\$ 84,446,118</u>

See accompanying Notes to Financial Statements.

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
YEAR ENDED JUNE 30, 2025

Net Change in Fund Balances - Total Governmental Funds	\$	15,185,602
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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		24,460,168
Less: Current Year Depreciation and Amortization		(4,086,367)

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

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, 2024		(325,793)
Unavailable Revenue - June 30, 2025		608,468

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 the reported net pension/OPEB liability is measured a year before the City's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.

Pension/OPEB Expense		(2,925,133)
Pension/OPEB Contributions		1,986,496

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		(17,645,000)
Premium on Issuance of Revenue Bonds		(1,582,318)
Issuance of Finance Purchases		(540,868)
Principal Payments of Revenue Bonds		1,502,000
Principal Payments of Financed Purchases		336,014
Principal Payments on Leases		433,589
Amortization on Bond Premium		517,821
Amortization on Deferred Amount on Refunding		(49,198)

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

Increase in Compensated Advances		23,215
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The internal service fund is used by management to charge the costs of information technology activities to individual funds. The net revenue of these activities of the internal service fund is reported with governmental activities in the Statement of Activities.

763,554

Change in Net Position - Governmental Activities	\$	<u><u>18,662,250</u></u>
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See accompanying Notes to Financial Statements.

**CITY OF SEDONA, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025**

	Business-Type Activities			Governmental Activities
	Wastewater	Public Transit	Total Enterprise Funds	Internal Service Fund
ASSETS				
Current Assets:				
Cash and Investments	\$ 15,568,153	\$ 8,972,688	\$ 24,540,841	\$ 2,906,202
Restricted Assets	4,296,549	-	4,296,549	-
Receivables, Net of Allowance for Uncollectibles:				
Accounts Receivable	537,047	-	537,047	-
Intergovernmental Receivable	-	235,124	235,124	-
Accrued Interest	50,318	31,143	81,461	9,413
Due from Other Funds	111,891	5,128	117,019	-
Prepaid Items and Other Assets	12,163	173	12,336	123,611
Total Assets	20,576,121	9,244,256	29,820,377	3,039,226
Noncurrent Assets:				
Net Pension/OPEB Asset	47,619	6,491	54,110	25,966
Capital Assets:				
Nondepreciable	13,085,555	2,081,011	15,166,566	-
Depreciable (Net)	88,177,048	1,298,537	89,475,585	217,682
Total Capital Assets	101,262,603	3,379,548	104,642,151	217,682
Total Noncurrent Assets	101,310,222	3,386,039	104,696,261	243,648
Total Assets	121,886,343	12,630,295	134,516,638	3,282,874
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pensions/OPEB	277,292	35,111	312,403	142,514
Deferred Charges on Debt Refunding	8,630	-	8,630	-
Total Deferred Outflows of Resources	285,922	35,111	321,033	142,514
LIABILITIES				
Current Liabilities:				
Accounts Payable	136,945	382,936	519,881	84,811
Accrued Wages and Benefits	7,344	1,062	8,406	3,691
Construction Contracts Payable	638,458	-	638,458	-
Interest Payable	49,393	-	49,393	-
Matured Debt Principal Payable	4,233,000	-	4,233,000	-
Retainage Payable	349,829	-	349,829	-
Compensated Absences Payable, Current	32,418	515	32,933	21,977
Bonds Payable, Current	4,283,000	-	4,283,000	-
Financed Purchases Payable, Current	119,815	268,343	388,158	-
Leases Payable, Current	1,689	-	1,689	-
Deposit Payable	14,050	-	14,050	-
Unearned Revenue	88,585	235,124	323,709	-
Total Current Liabilities	9,954,526	887,980	10,842,506	110,479
Noncurrent Liabilities:				
Compensated Absences Payable	83,320	4,342	87,662	37,424
Financed Purchases Payable	221,183	366,557	587,740	-
Leases Payable	5,002	-	5,002	80,316
Net Pension/OPEB Liability	1,240,164	169,058	1,409,222	676,151
Total Noncurrent Liabilities	1,549,669	539,957	2,089,626	793,891
Total Liabilities	11,504,195	1,427,937	12,932,132	904,370
DEFERRED INFLOWS RELATED TO PENSIONS/OPEB	98,047	13,326	111,373	52,577
NET POSITION				
Net Investment in Capital Assets	91,369,757	2,744,648	94,114,405	130,075
Restricted for Net Pension/OPEB Asset	47,619	6,491	54,110	25,966
Unrestricted	19,152,647	8,473,004	27,625,651	2,312,400
Total Net Position	\$ 110,570,023	\$ 11,224,143	\$ 121,794,166	\$ 2,468,441

See accompanying Notes to Financial Statements.

CITY OF SEDONA, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025

	Business-Type Activities			Governmental Activities
	Wastewater	Public Transit	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES				
Charges for Services	\$ 6,466,704	\$ 26,781	\$ 6,493,485	\$ 2,859,889
Other Revenues	53,685	1,142	54,827	-
Total Operating Revenues	6,520,389	27,923	6,548,312	2,859,889
OPERATING EXPENSES				
Salaries and Employee Benefits	1,725,650	201,600	1,927,250	880,864
Supplies and Other	3,554,616	2,346,699	5,901,315	1,301,817
Depreciation and Amortization	3,922,093	309,377	4,231,470	78,872
Total Operating Expenses	9,202,359	2,857,676	12,060,035	2,261,553
OPERATING INCOME (LOSS)	(2,681,970)	(2,829,753)	(5,511,723)	598,336
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	-	95,880	95,880	-
Investment Earnings	846,883	432,612	1,279,495	130,218
Interest Expense	(104,543)	(35,709)	(140,252)	-
Total Nonoperating Revenues (Expenses)	742,340	492,783	1,235,123	130,218
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,939,630)	(2,336,970)	(4,276,600)	728,554
Capital Contributions - Capacity Fees	993,856	-	993,856	-
Transfers in	4,197,321	3,544,298	7,741,619	35,000
CHANGE IN NET POSITION	3,251,547	1,207,328	4,458,875	763,554
Net Position - Beginning of Year	107,318,476	10,016,815	117,335,291	1,704,887
NET POSITION - END OF YEAR	<u>\$ 110,570,023</u>	<u>\$ 11,224,143</u>	<u>\$ 121,794,166</u>	<u>\$ 2,468,441</u>

See accompanying Notes to Financial Statements.

**CITY OF SEDONA, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025**

	Business-Type Activities			Governmental Activities
	Wastewater	Public Transit	Total Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 6,456,169	\$ 651,327	\$ 7,107,496	\$ -
Receipts from Other Funds for Goods and Services Provided	53,685	-	53,685	2,859,889
Payments to Suppliers and Service Providers	(2,081,999)	(2,019,168)	(4,101,167)	(1,280,067)
Payments for Employee Wages and Benefits	(1,732,605)	(201,164)	(1,933,769)	(884,127)
Payments to Other Funds for Services Provided	(1,546,220)	(257,481)	(1,803,701)	(126,699)
Return of Customer Deposits	(825)	-	(825)	-
Net Cash Provided (Used) by Operating Activities	1,148,205	(1,826,486)	(678,281)	568,996
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Noncapital Grant Receipts	-	(235,124)	(235,124)	-
Transfers from Other Funds	4,197,321	3,544,298	7,741,619	35,000
Net Cash Provided by Noncapital Financing Activities	4,197,321	3,309,174	7,506,495	35,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capacity Fees	993,856	-	993,856	-
Transit Bus	-	332,146	332,146	-
Acquisition and Construction of Capital Assets	(5,074,929)	(186,420)	(5,261,349)	(43,330)
Principal Paid on Capital Debt	(4,476,030)	(304,931)	(4,780,961)	(19,809)
Interest Paid on Capital Debt	(350,007)	(35,709)	(385,716)	-
Net Cash Used by Capital and Related Financing Activities	(8,907,110)	(194,914)	(9,102,024)	(63,139)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received on Investments	813,117	408,281	1,221,398	122,916
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,748,467)	1,696,055	(1,052,412)	663,773
Cash and Cash Equivalents - Beginning of Year (Including \$4,959,314 for the Wastewater Fund and \$41,131 for the Public Transit Fund Reported in Restricted Accounts)	22,613,169	7,276,633	29,889,802	2,242,429
CASH AND CASH EQUIVALENTS - END OF YEAR (Including \$3,697,295 for the Wastewater Fund Reported in Restricted Accounts)	<u>\$ 19,864,702</u>	<u>\$ 8,972,688</u>	<u>\$ 28,837,390</u>	<u>\$ 2,906,202</u>

See accompanying Notes to Financial Statements.

CITY OF SEDONA, ARIZONA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025

	Business-Type Activities			Governmental Activities
	Wastewater	Public Transit	Total Enterprise Funds	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (2,681,970)	\$ (2,829,753)	\$ (5,511,723)	\$ 598,336
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	3,922,093	309,377	4,231,470	78,872
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:				
Accounts Receivable, Net	(11,479)	621,513	610,034	-
Prepaid Items	(11,045)	7,051	(3,994)	(118,190)
Net Pension/OPEB Asset	(5,891)	(902)	(6,793)	(3,463)
Deferred Outflows of Resources Related to Pensions/OPEB	(72,180)	(7,400)	(79,580)	(31,389)
Accounts Payable	(62,558)	64,890	2,332	13,241
Accrued Wages and Benefits	6,479	1,062	7,541	3,691
Deposits Payable	(825)	-	(825)	-
Unearned Revenue	944	-	944	-
Compensated Absences	24,147	(932)	23,215	(1,227)
Net Pension/OPEB Liability	6,776	3,854	10,630	11,091
Deferred Inflows of Resources Related to Pension/OPEB	33,714	4,754	38,468	18,034
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,148,205</u>	<u>\$ (1,826,486)</u>	<u>\$ (678,281)</u>	<u>\$ 568,996</u>

See accompanying Notes to Financial Statements.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 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, 2025, the City implemented the provisions of GASB Statement No. 101, *Compensated Absences*. This standard establishes standards of accounting and financial reporting for (a) compensated absences and (b) associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB). The implementation of this standard did not have a material impact on the city's financial statements.

The City also implemented the provisions of GASB Statement No. 102, *Certain Risk Disclosures*, for the year ended June 30, 2025. This standard establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. The implementation of this standard did not have a material impact on the city's financial statements.

A. Reporting Entity

The City was incorporated on January 4, 1988, 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.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

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.

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.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

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

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

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

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

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those accounted for in another fund.

The *Streets Fund* accounts for the City's maintenance costs for public streets, including road rehabilitation and pavement preservation. Funding is provided by the City's portion of state shared highway user revenue fund (HURF) and support from the General Fund. The state shared HURF is primarily funded with tax on gasoline and other fuels but also includes other transportation related fees.

The *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 transportation projects and related costs.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

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 *Development Impact Fees Fund* accounts 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.

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.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recognized as expenditures to the extent they are due and payable. However, since debt service resources are provided during the current year for payment of long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the General Fund. General capital asset acquisitions, including entering into contracts giving the City the right-to-use lease assets, are reported as expenditures in governmental funds. Issuances of long-term debt and acquisitions under financed purchases, lease contracts, and subscription-based information technology arrangements are reported as other financing sources.

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

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the State Treasurer, deposits in other types of accounts or cash management pools that have the general characteristic of demand deposit accounts, and highly liquid investments with maturities of three months or less from the date of acquisition.

The City Council approved investment policy authorizes the City to invest in obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; certificates of deposit or other deposits in Federal Deposit Insurance Corporation (FDIC) insured banks; repurchase agreements with a maximum maturity of 180 days; and the Local Government Investment Pools managed by the Arizona State Treasurer. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair value is the price that would be received to sell an investment in an orderly transaction at year-end. The reported value of the State Treasurer's pool is the same as the fair value of the pool shares.

2. Restricted Cash and Investments

The City reports restricted cash and investments in the General Fund, Capital Improvements Fund, Wastewater Fund, and Public Transit Fund for customer deposits, escrow account balances for financed purchase agreements, and trustee account balances for bond proceeds and bond payment accounts.

3. Receivables

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

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by City policy as assets with an initial, individual cost above the capitalization threshold, which varies by the capital asset class. 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 Class	Useful Life (Years)	Capitalization Threshold
Land Improvements	10 to 40 Years	\$ 50,000
Buildings and Improvements	10 to 40 Years	50,000
Streets, Sidewalks, and Other Infrastructure	20 to 50 Years	50,000
Wastewater Plant and Lines	10 to 50 Years	50,000
Machinery, Equipment, and Vehicles	3 to 15 Years	10,000
Public Art	30 Years	50,000
Right-to-Use Subscription Assets	Term of Agreement	10,000
Right-to-Use Lease Assets:		
Land Improvements	10 to 40 Years	50,000
Buildings and Improvements	10 to 40 Years	50,000
Machinery, Equipment, and Vehicles	3 to 15 Years	10,000

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

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

6. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and Balance Sheet include a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. They are the deferred charges on refunding reported in the government-wide statement of net position and deferred amounts related to pension and other postemployment benefits (OPEB). The deferred charges on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the Statement of Net Position and Balance Sheet include a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the following sources: sales taxes, court fines, grant reimbursements received after the period of availability, and other miscellaneous receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide and proprietary fund financial statements, the City reports deferred amounts related to pension and OPEB.

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund financial statements consists of unpaid, accumulated leave balances. The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. 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 2025, the City paid for compensated absences as follows: 80% from the General Fund, 14% from major funds, and 6% 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.

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.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Postemployment Benefits (Continued)

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Leases and Subscription-Based Information Technology Arrangements

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 \$10,000 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.

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**10. Leases and Subscription-Based Information Technology Arrangements
(Continued)**

Subscription-Based Information Technology Arrangements

The City recognizes subscription liabilities with an initial, individual value of \$10,000 or more. The City uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement. The City's estimated incremental borrowing rate is calculated as described above.

11. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 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 budgeted expenditures of the Fund (equivalent to 3.5 months of normal operations).
- The fund balance target for the Streets Fund (excluding any other committed or assigned fund balances for specific purposes) shall be 30% of the total budgeted expenditures of the Fund (equivalent to 3.5 months of normal operations).
- 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 reserve for equipment replacement based on an annual allocation of equipment costs over the useful life of the asset, and for a major maintenance reserve based on management estimates of (1) the anticipated annual cost of major maintenance projects, and (2) the anticipated useful life of the maintenance performed (the time between completing the same maintenance project).
- The Public Transit Fund shall have a separate budgetary fund balance reserve for equipment replacement based on an annual allocation of equipment costs over the useful life of the asset, and additional reserves may be established to mitigate the risk related to grants, which are not a guaranteed revenue stream.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 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).
4. Expenditures may not legally exceed the expenditure limitation, described above, of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds, which is the legal level of budgetary control for these funds. The City Manager may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity.
5. Formal budgetary integration is employed as a management control device during the year for all funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.
6. Appropriations in all funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances technically lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and become part of the subsequent year's budget, and the encumbrances are automatically reestablished in the next year.

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

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 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 (\$1,669,224) and the bank balance was \$88,054. The City uses an overnight sweep for investing a portion of the bank balances, so the deficit represents a net difference of outstanding checks that had not yet been presented for payment. At year-end, \$88,054 of the City's deposits were covered by federal depository insurance.

Total cash and investments at fair value as reported on June 30, 2025, are as follows:

Deposits:	
Cash on Hand	\$ 2,804
Cash in Bank	(1,250,069)
Investments:	
State Treasurer's Investment Pool	22,818,451
Negotiable Certificates of Deposit	477,516
Money Market Funds	56,805,698
U.S. Agency Securities	40,406,135
Total Deposits and Investments	119,260,535
Restricted Assets	(28,219,560)
Total Unrestricted Deposits and Investments	<u>\$ 91,040,975</u>

Investments

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

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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. The City's investment maturities reported on June 30, 2025 are shown below:

Investment Type	Fair Value	Investment Maturities (In Years)		
		Less than 1	1-3	4-5
U.S. Agency Securities	\$ 40,406,135	\$ 12,682,204	\$ 16,188,419	\$ 11,535,512
Money Market Funds	56,805,698	56,805,698	-	-
Negotiable Certificates of Deposit	477,516	-	477,516	-
State Treasurer's Investment Pools	22,818,451	22,818,451	-	-
Total	<u>\$ 120,507,800</u>	<u>\$ 92,306,353</u>	<u>\$ 16,665,935</u>	<u>\$ 11,535,512</u>

Credit Risk – Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. The City's investment policy requires limiting investments in the portfolio to the asset classes designated as acceptable in accordance with state statutes, and 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 reported on June 30, 2025 based on investment type is shown below:

	Rating	Rating Agency	Fair Value
Investment Type:			
U.S. Agency Securities	AA+	Moody's	\$ 40,406,135
Money Market Funds	AAAm	S&P	56,766,630
Money Market Funds	Aaa-mf	Moody's	39,068
Negotiable Certificates of Deposit	N/R	N/R	477,516
State Treasurer's Investment Pool 5	AAAf/S1+	S&P	22,771,909
State Treasurer's Investment Pool 7	N/R	N/R	46,542
Total			<u>\$ 120,507,800</u>

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the City’s investment in a single issuer. The City policy allows a maximum of 5% of the fair value of the portfolio to be invested in debt issued by any single entity. The City places no limit on the amount the City may invest in debt backed by the United States Treasury. The City’s investment percentages reported on June 30, 2025 by investment type are shown below:

	Fair Value	Percent of City Investments
U.S. Agency Securities	\$ 40,406,135	33.53%
Money Market Funds	56,805,698	47.14
Negotiable Certificates of Deposit	477,516	0.40
State Treasurer’s Investment Pools	22,818,451	18.94
Total Investments	<u>\$ 120,507,800</u>	<u>100.00%</u>

Fair Value Measurements – The City uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures. Investments valued using the net asset value (NAV) per share (or its equivalent) are City investments in the Arizona State Treasurer’s Investment Pool (LGIP) and unlike more traditional investments, generally do not have readily obtainable fair values. Investments valued at NAV utilized net asset values as provided by State of Arizona Treasurer’s Office on June 30, 2025.

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

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

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

Level 1 – 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 2 – 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 3 – 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, 2025:

Investments by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)
Debt Securities:				
U.S. Agency Securities	\$ 40,406,135	\$ 1,928,019	\$ 38,478,116	\$ -
Negotiable Certificates of Deposit	477,516	-	477,516	-
Total Investments by Fair Value Level	40,883,651	<u>\$ 1,928,019</u>	<u>\$ 38,955,632</u>	<u>\$ -</u>
Investments Measured at Net Asset Value:				
State Treasurer's Investment Pools	22,818,451			
Total Investments Measured at Fair Value	63,702,102			
Investments Measured at Amortized Cost:				
Money Market Funds	56,805,698			
Total Investments	<u>\$ 120,507,800</u>			

Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the City held. The fair value of a participant's position in the pools approximates the value of the participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools. Other investments are categorized by method of fair value measurement into three levels: Level 1 quoted prices in active markets for identical assets, Level 2 significant other observable inputs, and Level 3 significant unobservable inputs. All of the City's investments carried at fair value fall in Level 2 and are valued using market quotes from the safekeeping agent.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 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:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund:		
Sales Tax Receivable	\$ 298,823	\$ -
In-Lieu Taxes Receivable	309,645	-
Capital Improvements Fund:		
Federal Grant Reimbursements Receivable	-	1,029,578
Nonmajor Funds:		
Grant Advances Prior to Meeting All Eligibility Requirements	-	594,123
Total	<u>\$ 608,468</u>	<u>\$ 1,623,701</u>

Loans Receivables

The City had loans receivables of \$156,864 for down-payment assistance programs at June 30, 2025. The City offers two down-payment assistance programs, one for City of Sedona employees and the other for the broader Sedona workforce. The down-payment assistance programs offer up to \$40,000 per household and include eligibility requirements such as employment in city limits and first-time homebuyer within the Sedona area. Repayment is based on an equity-share formula to reinvestment in future down-payment assistance funding. The City Council has authorized \$400,000 for an initial investment in the down-payment assistance program.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5 CAPITAL ASSETS

A. Governmental Activities

Capital asset activity for governmental activities for the year ended June 30, 2025, was as follows:

	Balance as of June 30, 2024	Additions	Deductions	Balance as of June 30, 2025
Capital Assets, Not Being Depreciated:				
Land	\$ 37,419,695	\$ 3,005,642	\$ -	\$ 40,425,337
Construction in Progress	26,219,764	21,417,725	(32,966,335)	14,671,154
Total Capital Assets, Not Being Depreciated	63,639,459	24,423,367	(32,966,335)	55,096,491
Capital Assets, Being Depreciated/Amortized:				
Land Improvements	13,070,760	7,811,264	-	20,882,024
Building and Improvements	13,725,727	-	-	13,725,727
Infrastructure	59,454,888	24,218,162	-	83,673,050
Machinery, Equipment, and Vehicles	6,813,375	573,863	(615,352)	6,771,886
Right-to-Use Subscription Assets	24,683	-	-	24,683
Right-to-Use Lease Assets:				
Land Improvements	113,901	-	(15,722)	98,179
Building and Improvements	2,277,233	-	-	2,277,233
Machinery Equipment, and Vehicles	736,558	451,364	(219,118)	968,804
Total Capital Assets, Being Depreciated/Amortized	96,217,125	33,054,653	(850,192)	128,421,586
Less Accumulated Depreciation/Amortization for:				
Land Improvements	(4,453,026)	(673,346)	-	(5,126,372)
Building and Improvements	(6,227,278)	(507,711)	-	(6,734,989)
Infrastructure	(25,993,172)	(2,119,374)	-	(28,112,546)
Machinery, Equipment, and Vehicles	(5,492,748)	(643,741)	591,246	(5,545,243)
Right-to-Use Subscription Assets	(6,037)	-	-	(6,037)
Right-to-Use Lease Assets:				
Land Improvements	(30,751)	(10,792)	15,722	(25,821)
Building and Improvements	(340,662)	(119,854)	-	(460,516)
Machinery, Equipment, and Vehicles	(374,036)	(67,268)	219,118	(222,186)
Total Accumulated Depreciation/Amortization	(42,917,710)	(4,142,086)	826,086	(46,233,710)
Total Capital Assets, Being Depreciated/Amortized, Net	53,299,415	28,912,567	(24,106)	82,187,876
Governmental Activities Capital Assets, Net	\$ 116,938,874	\$ 53,335,934	\$ (32,990,441)	\$ 137,284,367

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5 CAPITAL ASSETS (CONTINUED)

B. Business-Type Activities

Capital asset activity for business type activities for the year ended June 30, 2025, was as follows:

	Balance as of June 30, 2024	Additions	Deductions	Balance as of June 30, 2025
Capital Assets, Not Being Depreciated/ Amortized:				
Land	\$ 12,876,460	\$ -	\$ -	\$ 12,876,460
Construction in Progress	5,848,138	4,941,531	(8,499,563)	2,290,106
Total Capital Assets, Not Being Depreciated/Amortized	18,724,598	4,941,531	(8,499,563)	15,166,566
Capital Assets, Being Depreciated/ Amortized:				
Land Improvements	300,582	-	-	300,582
Building and Improvements	13,077	-	-	13,077
Wastewater System	150,448,107	7,458,674	-	157,906,781
Infrastructure	184,800	-	-	184,800
Machinery, Equipment, and Vehicles	6,890,169	1,810,867	(107,274)	8,593,762
Right-to-Use Lease Assets:				
Machinery Equipment, and Vehicles	176,200	109,159	(34,653)	250,706
Total Capital Assets, Being Depreciated/Amortized	158,012,935	9,378,700	(141,927)	167,249,708
Less Accumulated Depreciation/ Amortization for:				
Land Improvements	(11,032)	(15,871)	-	(26,903)
Building and Improvements	(13,077)	(6,686)	-	(19,763)
Wastewater System	(67,114,958)	(3,736,280)	-	(70,851,238)
Infrastructure	(18,480)	(9,822)	-	(28,302)
Machinery, Equipment, and Vehicles	(6,444,311)	(432,411)	107,274	(6,769,448)
Right-to-Use Lease Assets:				
Machinery, Equipment, and Vehicles	(81,247)	(30,400)	33,178	(78,469)
Total Accumulated Depreciation/Amortization	(73,683,105)	(4,231,470)	140,452	(77,774,123)
Total Capital Assets, Being Depreciated/Amortized, Net	84,329,830	5,147,230	(1,475)	89,475,585
Business-Type Activities Capital Assets, Net	\$ 103,054,428	\$ 10,088,761	\$ (8,501,038)	\$ 104,642,151

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 5 CAPITAL ASSETS (CONTINUED)

C. Depreciation/Amortization Expense

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

Governmental Activities:	
General Government	\$ 469,043
Public Safety	505,197
Public Works and Streets	2,836,451
Culture and Recreation	246,903
Health and Welfare	5,620
Internal Service Fund	<u>78,872</u>
Total Governmental Activities Depreciation/ Amortization Expense	<u><u>\$ 4,142,086</u></u>
Business-Type Activities:	
Public Transportation	\$ 309,377
Wastewater	<u>3,922,093</u>
Total Business-Type Activities Depreciation/ Amortization Expense	<u><u>\$ 4,231,470</u></u>

D. Long-Term Storage Credits (LTSCs)

At June 30, 2025, the City had 1,460.01 LTSCs on account with the Arizona Department of Water Resources (ADWR). The ADWR certifies the balance of LTSCs held on account and generated each year for the Wastewater Enterprise Fund's recharge of effluent. These credits are intangible assets with a book value of \$-0-. The Wastewater Enterprise Fund holds the LTSCs for sale or trade. Revenues will be recognized when a sale occurs.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 6 CONSTRUCTION AND OTHER COMMITMENTS

The City had major contractual commitments related to various capital projects at June 30, 2025. The City's expenditures to date and remaining contractual commitments with contractors were as follows:

	Spent-to-Date	Remaining Commitment
Governmental Activities:		
ERP System Replacement	\$ 200,744	\$ 214,320
Uptown Parking Garage	9,402,874	15,199,334
Harmony SUP and Drainage Improvements	333,862	3,050,757
Total Governmental Activities	<u>\$ 9,937,480</u>	<u>\$ 18,464,411</u>
Business-Type Activities:		
Main Line Replacement - Northview Rd.	\$ 47,000	\$ 585,920
Waste Water Treatment Process Upgrade	1,338,617	3,469,007
Total Business-Type Activities	<u>\$ 1,385,617</u>	<u>\$ 4,054,927</u>

The City had no other significant commitments at June 30, 2025.

NOTE 7 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transfers for the year ended June 30, 2025 consisted of the following:

Transfers to	Transfers From				Total
	General Fund	Transportation Sales Tax Fund	Capital Improvements Fund	Nonmajor Governmental Funds	
Streets Fund	\$ 1,938,220	\$ -	\$ -	\$ -	\$ 1,938,220
Development Impact Fees	-	-	1,311,520	-	1,311,520
Capital Improvements Fund	12,300,000	6,555,530	-	-	18,855,530
Nonmajor Governmental Funds	-	-	42,900	-	42,900
Wastewater Fund	3,000,000	-	-	1,197,321	4,197,321
Public Transit Fund	365,840	3,178,458	-	-	3,544,298
Internal Service Fund	35,000	-	-	-	35,000
Totals	<u>\$ 17,639,060</u>	<u>\$ 9,733,988</u>	<u>\$ 1,354,420</u>	<u>\$ 1,197,321</u>	<u>\$ 29,924,789</u>

During the year, transfers were used to (1) move General Fund resources assigned each year to support the Capital Improvements Fund (\$12,300,000), (2) move General Fund resources to provide an annual subsidy to the Wastewater Fund (\$3,000,000) and the Streets Fund (\$1,938,220), (3) move General Fund resources to the Public Transit Fund to cover costs for the Verde Shuttle system (\$365,840), (4) fund the Art in Public Places Fund, a nonmajor governmental fund, with 1% of construction projects funded with unrestricted monies (\$42,900), (5) move Transportation Sales Tax Fund revenues to the Public Transit Fund to cover operating costs and grant matches (\$3,178,458), and (6) move paid parking revenues to the Internal Service Fund for information technology costs associated with the paid parking program (\$44,450).

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Further, during the year ended June 30, 2025, the City made the following one-time transfers:

- A transfer of Transportation Sales Tax Fund revenues to the Capital Improvements Fund (\$6,555,530) to be used for transportation project expenditures incurred during the year.
- A transfer of American Rescue Plan Act (ARPA) monies from the Grants & Donations Fund, a nonmajor governmental fund, to the Wastewater Fund to cover capital improvement costs related to the major lift station upgrades project (\$1,197,321).
- A transfer of bond proceeds from the Capital Improvements Fund to the Development Impact Fees Fund (\$1,311,520) to cover projects in the City's Transportation Master Plan.

At June 30, 2025, the City had interfund receivables and payables as follows:

Due to	Due From General Fund
Transportation Sales Tax	\$ 355,126
Development Impact Fees	1,031,523
Total	<u>\$ 1,386,649</u>

The above interfund balances reflect a short-term loan from the General Fund to the Transportation Sales Tax and Development Impact Fees funds for negative ending cash balances.

NOTE 8 FINANCED PURCHASES

The City has acquired vehicles, equipment, and building improvements under contract agreements at a total purchase price of \$4,005,380. The following schedule details debt service requirements to maturity for the City's financed purchases at June 30, 2025:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 319,412	\$ 40,641	\$ 388,158	\$ 43,404
2027	209,679	30,299	322,811	28,516
2028	166,486	21,409	264,929	13,088
2029	173,617	14,076	-	-
2030	115,707	6,437	-	-
2031	39,618	1,426	-	-
Totals	<u>\$ 1,024,519</u>	<u>\$ 114,288</u>	<u>\$ 975,898</u>	<u>\$ 85,008</u>

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 LEASES

In August 2021, the City entered into a 19-year lease as lessee with the Sedona-Oak Creek Unified School District for the property that formerly served as the site for the District's administrative functions. An initial lease liability was recorded in the amount of \$2,277,233. 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 five-year lease as lessee for a postage meter. An initial lease liability was recorded in the amount of \$22,717. The City is required to make quarterly fixed payments of \$1,153. The lease has an imputed interest rate of 0.6%.

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. An initial lease liability was recorded in the amount of \$98,146. The City is required to make annual payments adjusted each year by the greater of 3% or the Consumer Price Index escalation. During the year, a payment of \$7,963 was made. The lease has an imputed interest rate of 1.2%.

In January 2024, the City entered into a five-year lease as lessee for eleven copy machines. An initial lease liability was recorded as of July 1, 2023 in the amount of \$100,383. The City is required to make annual fixed payments of \$1,381, plus a per copy fee. The lease has an imputed interest rate of 0.2%.

In November 2013, the City entered into a three-year lease, with automatic one-year renewals, as lessee for use of privately-owned parking as public parking. An initial lease liability was recorded as of July 1, 2021 in the amount of \$6,741. It was deemed reasonably certain that the lease would not be terminated before the next automatic one-year renewal beginning November 2023. 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 2024, the City entered into five-year leases as lessee for nineteen vehicles. A total lease liability as of July 1, 2021 (for existing leases plus initial liability for new leases since that date) was recorded in the amount of \$546,589. The City is required to make monthly fixed payments totaling \$12,562. The leases have imputed interest rates ranging from 4.7% to 9.75%.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 LEASES (CONTINUED)

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

	Governmental Activities	Business-Type Activities
Land Improvements	\$ 98,179	\$ -
Buildings and Improvements	2,277,233	-
Machinery, Equipment , and Vehicles	968,804	250,706
Less: Accumulated Amortization	(708,523)	(78,469)
Carrying Value	<u>\$ 2,635,693</u>	<u>\$ 172,237</u>

The following schedule details minimum lease payments to maturity for the City's leases payable at June 30, 2025:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 143,733	\$ 29,493	\$ 1,689	\$ 137
2027	141,631	27,245	1,728	97
2028	144,172	24,973	1,769	57
2029	143,106	22,664	1,505	16
2030	127,168	20,625	-	-
2031 to 2035	646,725	74,452	-	-
2036 to 2040	663,789	26,211	-	-
2041 to 2042	11,460	14	-	-
Total	<u>\$ 2,021,784</u>	<u>\$ 225,678</u>	<u>\$ 6,691</u>	<u>\$ 307</u>

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, 2025, the City recognized expenses of \$13,677 for variable lease payments not included in the measurement of the lease liabilities.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 10 BONDS PAYABLE

The following is a list of revenue obligation bonds outstanding as of June 30, 2025.

<u>Description</u>	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Outstanding Principal</u>
Governmental Activities:				
Revenue Bonds:				
Excise Tax Revenue Refunding Bonds, Second Series 2015	\$ 8,030,000	1.94%	7/1/24-27	\$ 1,995,000
Excise Tax Revenue Bonds, Series 2022	21,640,000	4.0% - 5.0%	7/1/27-42	21,640,000
Excise Tax Revenue Bonds, Second Series 2022	10,148,000	4.21%	7/1/24-37	8,436,000
Excise Tax Revenue Bonds, Series 2024	<u>17,645,000</u>	4.0% - 5.0%	7/1/27-55	<u>17,645,000</u>
Total Governmental Activities	57,463,000			49,716,000
Business-Type Activities:				
Revenue Bonds:				
Excise Tax Revenue Refunding Bonds, Series 2021-2	<u>8,890,000</u>	1.16%	7/1/24-26	<u>4,283,000</u>
Total Business-Type Activities	<u>8,890,000</u>			<u>4,283,000</u>
Total Revenue Bonds	<u>\$ 66,353,000</u>			<u>\$ 53,999,000</u>

The City has pledged future excise taxes to repay the excise tax revenue obligations as listed above. Proceeds of the bonds were used for various construction improvements, land acquisition, and to refund and refinance various bonds and certificates of participation. The bonds are payable solely from excise taxes. Maturity dates are from July 1, 2024 to July 1, 2055. The future excise tax revenues pledged, which include unrestricted sales tax, franchise tax, vehicle license fees, unrestricted fines and forfeitures, unrestricted charges for services, and unrestricted licenses and permits, will repay \$49,716,000 in excise tax revenue refunding bonds, plus \$18,173,514 of interest. Total principal and interest payments on the bonds are expected to require less than 20% of pledged revenues. Pledged revenue for the current year was \$42,873,150. In the current year, total principal paid was \$5,828,000 and interest paid was \$2,246,866.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 10 BONDS PAYABLE (CONTINUED)

Debt service requirements on bonds payable on June 30, 2025 are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 1,545,000	\$ 2,197,184	\$ 4,283,000	\$ 49,683
2027	3,068,000	2,154,612	-	-
2028	2,152,000	2,036,531	-	-
2029	2,253,000	1,942,312	-	-
2030	2,384,000	1,834,623	-	-
2031 to 2035	13,653,000	7,368,619	-	-
2036 to 2040	14,101,000	4,182,286	-	-
2041 to 2045	8,345,000	1,355,050	-	-
2046 to 2050	1,110,000	448,500	-	-
2051 to 2055	1,105,000	141,500	-	-
Total	<u>\$ 49,716,000</u>	<u>\$ 23,661,217</u>	<u>\$ 4,283,000</u>	<u>\$ 49,683</u>

NOTE 11 CHANGES IN LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2025, are as follows:

	Balance, June 30, 2024	Additions	Reductions	Balance, June 30, 2025	Due Within One Year
Governmental Activities:					
Bonds Payable:					
Revenue Bonds	\$ 33,573,000	\$ 17,645,000	\$ (1,502,000)	\$ 49,716,000	\$ 1,545,000
Premium	3,269,346	1,582,318	(517,821)	4,333,843	-
Total Bonds Payable	<u>36,842,346</u>	<u>19,227,318</u>	<u>(2,019,821)</u>	<u>54,049,843</u>	<u>1,545,000</u>
Other Liabilities:					
Compensated Absences	627,442	166,984	-	794,426	249,816
Finance Purchases	819,665	540,868	(336,014)	1,024,519	319,412
Leases	2,455,373	-	(433,589)	2,021,784	143,733
Net Pension/OPEB Liability	13,494,893	-	(3,613,197)	9,881,696	-
Total Other Liabilities	<u>17,397,373</u>	<u>707,852</u>	<u>(4,382,800)</u>	<u>13,722,425</u>	<u>712,961</u>
Total Governmental Activities	<u>\$ 54,239,719</u>	<u>\$ 19,935,170</u>	<u>\$ (6,402,621)</u>	<u>\$ 67,772,268</u>	<u>\$ 2,257,961</u>
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 8,516,000	\$ -	\$ (4,233,000)	\$ 4,283,000	\$ 4,283,000
Total Bonds Payable	<u>8,516,000</u>	<u>-</u>	<u>(4,233,000)</u>	<u>4,283,000</u>	<u>4,283,000</u>
Other Liabilities:					
Compensated Absences	97,380	23,215	-	120,595	32,933
Finance Purchases	1,430,350	-	(454,452)	975,898	388,158
Leases	100,200	-	(93,509)	6,691	1,689
Net Pension/OPEB Liability	1,398,592	10,630	-	1,409,222	-
Total Other Liabilities	<u>3,026,522</u>	<u>33,845</u>	<u>(547,961)</u>	<u>2,512,406</u>	<u>422,780</u>
Total Business-Type Activities	<u>\$ 11,542,522</u>	<u>\$ 33,845</u>	<u>\$ (4,780,961)</u>	<u>\$ 6,795,406</u>	<u>\$ 4,705,780</u>

The change in the compensated absences liability is presented as a net change.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 12 FUND BALANCE

The following represents the classifications of the City's fund balance for fiscal year ended June 30, 2025:

	General Fund	Streets Fund	Transportation Sales Tax Fund	Capital Improvements Fund	Development Impact Fees	Nonmajor Governmental Funds	Totals
Nonspendable:							
Long-Term Loans Receivable	\$ 2,406,864	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,406,864
Prepaid Items	133,395	-	-	96,000	-	-	229,395
Restricted:							
Court Improvements	69,164	-	-	-	-	-	69,164
Criminal Case Processing	68,022	-	-	-	-	-	68,022
Summit CFD Capital Improvements	-	-	-	-	-	297,258	297,258
Fairfield CFD Capital Improvements	-	-	-	-	-	300,611	300,611
Grants	-	-	-	-	-	286,480	286,480
Public Art	-	-	-	-	-	32,533	32,533
Committed:							
Court Enhancements	41,446	-	-	-	-	-	41,446
Public Art	-	-	-	-	-	94,239	94,239
Equipment Replacement	-	195,200	-	-	-	-	195,200
Assigned:							
Affordable Housing	19,691,651	-	-	-	-	-	19,691,651
Budget Carryovers	165,770	-	-	-	-	-	165,770
Streets Rehabilitation/ Pavement Preservation	-	2,645,125	-	-	-	-	2,645,125
Capital Improvements	-	-	-	38,179,603	-	-	38,179,603
Special Events	-	-	-	-	-	22,009	22,009
Recreation Programs	-	-	-	-	-	11,807	11,807
Pink Patch Program	-	-	-	-	-	551	551
Police K-9 Program	-	-	-	-	-	15,825	15,825
Police Explorers Program	-	-	-	-	-	6,416	6,416
Police Department Programs	-	-	-	-	-	20,650	20,650
Unassigned	21,794,223	-	(135,088)	-	(1,993,636)	-	19,665,499
Totals	\$ 44,370,535	\$ 2,840,325	\$ (135,088)	\$ 38,275,603	\$ (1,993,636)	\$ 1,088,379	\$ 84,446,118

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 13 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's insurance protection is provided by the Arizona Municipal Risk Retention Pool (AMRRP), a public entity risk pool currently operating as a common risk management and insurance program for approximately 78 members. The limit for basic coverage is for \$2,000,000 per occurrence on a claims-made basis with a \$6,000,000 annual aggregate limit. Excess coverage is for an additional \$10,000,000 per occurrence on a follow form, claims-made basis. No significant insurance coverage reduction occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years. AMRRP is structured such that member's premiums are based on an actuarial review that will provide adequate reserves to allow AMRRP to meet its expected financial obligations. AMRRP has the authority to assess its member's additional premiums should reserves and annual premiums be insufficient to meet the obligations.

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

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

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 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, 2025, the City reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

	Governmental Activities	Business-Type Activities	Total
Statement of Net Position and Statement of Activities:			
Net OPEB Asset	\$ 2,105,239	\$ 54,110	\$ 2,159,349
Net OPEB Liability	1,660	196	1,856
Net Pension Liability	9,880,036	1,409,026	11,289,062
Deferred Outflows of Resources			
Related to OPEB	90,479	6,070	96,549
Deferred Outflows of Resources			
Related to Pension	3,760,548	306,332	4,066,880
Deferred Inflows of Resources			
Related to OPEB	229,866	21,390	251,256
Deferred Inflows of Resources			
Related to Pension	852,024	89,983	942,007
OPEB Expense	535,490	(7,315)	528,175
Pension Expense	2,389,643	195,328	2,584,971

The City reported \$2,295,469 of pension and OPEB expenditures in the governmental funds, \$188,013 of pension and OPEB expenditures in the enterprise funds, and \$89,804 of pension and OPEB expenditures in the internal service funds related to all plans to which it contributes. The City's accrued payroll and employee benefits includes \$101,318 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2025.

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.

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 14 RETIREMENT PLANS (CONTINUED)

A. Arizona State Retirement System (Continued)

Benefits Provided

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

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

* With actuarially reduced benefits

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

Health insurance premium benefits are available to retired or disabled members with five 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 five to nine years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 14 RETIREMENT PLANS (CONTINUED)

A. Arizona State Retirement System (Continued)

Contributions

In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2025, statute required active ASRS members to contribute at the actuarially determined rate of 12.27 percent (12.12 percent for retirement and 0.15 percent for long term disability) of the members' annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 12.27 percent (12.05 percent for retirement, 0.07 percent for health insurance premium benefit, and 0.15 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 10.19 percent (10.14 percent for retirement and 0.05 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, 2025, were \$1,216,889, \$7,069, and \$15,148, respectively.

During fiscal year 2025, the City paid for ASRS pension and OPEB contributions as follows: 80 percent from the General Fund, 14 percent from major funds, and 6 percent from other funds.

Liability

At June 30, 2025, 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	\$ 11,289,062
Health Insurance Premium Benefit	(433,534)
Long-Term Disability	1,856

The net asset and net liabilities were measured as of June 30, 2024. 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, 2023, to the measurement date of June 30, 2024.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 14 RETIREMENT PLANS (CONTINUED)

A. Arizona State Retirement System (Continued)

Liability (Continued)

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, 2024. The City's proportions measured as of June 30, 2024, and the change from its proportions measured as of June 30, 2023, were:

	Proportion June 30, 2024	Increase (Decrease) from June 30, 2023
Pension	0.07055%	0.00388%
Health Insurance Premium Benefit	0.07175%	0.00411%
Long-Term Disability	0.07118%	0.00413%

Expense

For the year ended June 30, 2025, the City recognized the following pension and OPEB expense.

	Pension/OPEB Expense (Income)
Pension	\$ 1,564,963
Health Insurance Premium Benefit	(66,234)
Long-Term Disability	9,021

Deferred Outflows/Inflows of Resources

On June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit		Long-Term Disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 630,145	\$ -	\$ 12,546	\$ 104,681	\$ 6,823	\$ 4,941
Changes of Assumptions or Other Inputs	-	-	-	4,497	1,343	11,108
Net Difference Between Projected and Actual Earnings on Plan Investments	-	720,930	-	29,801	-	2,027
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	500,204	-	185	16,585	3,261	633
City Contributions Subsequent to the Measurement Date	1,216,889	-	7,069	-	15,148	-
Totals	<u>\$ 2,347,238</u>	<u>\$ 720,930</u>	<u>\$ 19,800</u>	<u>\$ 155,564</u>	<u>\$ 26,575</u>	<u>\$ 18,709</u>

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 14 RETIREMENT PLANS (CONTINUED)

A. Arizona State Retirement System (Continued)

Deferred Outflows/Inflows of Resources (Continued)

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2026. 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:

<u>Year Ending June 30,</u>	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-Term Disability</u>
2026	\$ (24,825)	\$ (84,782)	\$ (2,597)
2027	749,034	(22,837)	103
2028	(182,491)	(21,937)	(2,631)
2029	(132,299)	(10,787)	(2,526)
2030	-	(2,490)	(789)
Thereafter	-	-	1,158

Actuarial Assumptions

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

Actuarial Valuation Date	June 30, 2023
Actuarial Roll Forward Date	June 30, 2024
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

Actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 14 RETIREMENT PLANS (CONTINUED)

A. Arizona State Retirement System (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Real of Return
Public Equity	44%	4.48 %
Credit	23%	4.40 %
Real Estate	17%	6.05 %
Private Equity	10%	6.11 %
Interest Rate Sensitivity	6%	(0.45)%
Total	<u>100%</u>	

Discount Rate

At June 30, 2024, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 14 RETIREMENT PLANS (CONTINUED)

A. Arizona State Retirement System (Continued)

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	\$ 17,285,862	\$ 11,289,062	\$ 6,291,252
Net Insurance Premium Benefit			
Liability (Asset)	(315,176)	(433,534)	(534,161)
Net Long-Term Disability Liability	6,384	1,856	(2,600)

Plan Fiduciary Net Position

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

B. Public Safety Personnel Retirement System

Plan Descriptions

City police employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the City's financial statements.

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPRS plans. The report is available on the PSPRS website at www.psprs.com.

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 14 RETIREMENT PLANS (CONTINUED)

B. Public Safety Personnel Retirement System (Continued)

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.

Health insurance premium benefits are available to retired or disabled members with five 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.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 14 RETIREMENT PLANS (CONTINUED)

B. Public Safety Personnel Retirement System (Continued)

Employees Covered by Benefit Terms

On June 30, 2025, the following employees were covered by the agent plans' benefit terms:

	<u>Pension</u>	<u>Health</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	19	19
Inactive Employees Entitled to but not Yet Receiving Benefits	5	-
Active Employees	<u>12</u>	<u>12</u>
Total	<u><u>36</u></u>	<u><u>31</u></u>

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, 2025, 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%	35.28%	0.06%

In addition, statute required the City to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the PSPRS would typically fill and employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to the City's required contributions to the PSPRS Tier 3 Risk Pool and PSPDCRP.

Pension	Health Insurance Premium Benefit
<u>35.28%</u>	<u>0.06%</u>

The City's contributions to the plans for the year ended June 30, 2025, were:

Pension	Health Insurance Premium Benefit
<u>\$746,121</u>	<u>\$1,269</u>

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 14 RETIREMENT PLANS (CONTINUED)

B. Public Safety Personnel Retirement System (Continued)

Contributions (Continued)

During fiscal year 2025, the City paid for PSPRS pension and OPEB contributions as follows: 95% from the General Fund and 5% from other funds.

Liability

At June 30, 2025, the City reported the following assets.

Net Pension (Asset)	Net OPEB (Asset)
Liability	Liability
\$(1,609,332)	\$(67,920)

The net assets and net liabilities were measured as of June 30, 2024, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Actuarial Valuation Date	June 30, 2024
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.2%
Wage Inflation	3.0%-6.25% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-Living Adjustment	1.85% for pensions/not applicable for OPEB
Mortality Rates	PubS-2010 tables
Healthcare Cost Trend Rate	Not applicable

Actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2021.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.2 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 14 RETIREMENT PLANS (CONTINUED)

B. Public Safety Personnel Retirement System (Continued)

Actuarial Assumptions (Continued)

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Public Equity	24%	3.62 %
International Public Equity	16	4.47
Global Private Equity	27	7.05
Core Bonds	6	2.44
Private Credit	20	6.24
Diversifying Strategies	5	3.15
Cash - Mellon	2	0.89
Total	100%	

Discount Rate

At June 30, 2024, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.2 percent. The discount rate did not change from the prior year. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 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	Plan	Net Pension	Total	Plan	Net OPEB
	Liability	Fiduciary Net	(Asset)	OPEB	Fiduciary	(Asset)
	(a)	Position	Liability	Liability	Net Position	Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances - June 30, 2024	\$ 18,132,335	\$ 14,035,804	\$ 4,096,531	\$ 252,784	\$ 330,275	\$ (77,491)
Changes for the Year:						
Service Cost	305,398	-	305,398	5,061	-	5,061
Interest on the Total Liability	1,293,067	-	1,293,067	17,962	-	17,962
Differences Between Expected and Actual Experience in the Measurement of the Liability	572,145	-	572,145	21,824	-	21,824
Change of Assumptions or Other Inputs	-	-	-	-	-	-
Contributions - Employer	-	6,148,526	(6,148,526)	-	2,735	(2,735)
Contributions - Employee	-	96,612	(96,612)	-	-	-
Net Investment Income	-	1,640,762	(1,640,762)	-	32,709	(32,709)
Benefit Payments, Including Refunds of Employee Contributions	(956,948)	(956,948)	-	(16,741)	(16,741)	-
Administrative Expense	-	(9,427)	9,427	-	(168)	168
Net Changes	1,213,662	6,919,525	(5,705,863)	28,106	18,535	9,571
Balance - June 30, 2025	\$ 19,345,997	\$ 20,955,329	\$ (1,609,332)	\$ 280,890	\$ 348,810	\$ (67,920)

Sensitivity of the City's Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate

The following table presents the City's net pension/OPEB (assets) liabilities calculated using the discount rate of 7.2 percent, as well as what the City's net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate:

City's Proportionate Share of the	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
Net Pension (Asset) Liability	\$ 1,076,452	\$ (1,609,332)	\$ (3,795,930)
Net OPEB (Asset) Liability	(36,584)	(67,920)	(94,220)

Plan Fiduciary Net Position

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

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 14 RETIREMENT PLANS (CONTINUED)

B. Public Safety Personnel Retirement System (Continued)

Expense

For the year ended June 30, 2025, the City recognized the following pension and OPEB expense:

Pension Expense	OPEB Expense
\$1,056,602	\$8,934

Deferred Outflows/Inflows of Resources

On June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 704,574	\$ 193	\$ 42,019	\$ 20,401
Changes of Assumptions or Other Inputs	75,426	-	1,208	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	220,884	-	5,204
City Contributions Subsequent to the Measurement Date	746,121	-	1,269	-
Totals	<u>\$ 1,526,121</u>	<u>\$ 221,077</u>	<u>\$ 44,496</u>	<u>\$ 25,605</u>

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2026. 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:

<u>Year Ending June 30,</u>	Pension	Health
2026	\$ 418,598	\$ 4,502
2027	345,761	11,694
2028	(117,406)	3,314
2029	(88,030)	(1,888)
2030	-	-
Thereafter	-	-

**CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 14 RETIREMENT PLANS (CONTINUED)

B. Public Safety Personnel Retirement System (Continued)

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, 2025, active PSPDCRP members were required by statute to contribute at least 9 percent of the members' annual covered payroll, and the City was required by statute to contribute 9 percent of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the earnings on those contributions. Employees vest in a portion of the City's contributions each year as set forth in statute. The plan retains nonvested City contributions when forfeited because of employment terminations. For the year ended June 30, 2025, the City recognized pension expense of \$0.

NOTE 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.

CITY OF SEDONA, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 16 BUDGETARY BASIS

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

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

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

	General Fund		Streets Fund	
	Total Expenditures	Other Financing Sources (Uses)	Total Expenditures	Other Financing Sources (Uses)
Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 31,761,305	\$ (14,875,235)	\$ 2,692,152	\$ 1,938,220
Lease Proceeds and Expenditures Included in Statement of Revenues, Expenditures, and Changes in Fund Balances	-	(540,868)	-	-
Equipment Replacement Reserve Charge Included for Budgetary Basis Presentation	-	-	73,360	-
Budgetary Comparison Schedule	<u>\$ 31,761,305</u>	<u>\$ (15,416,103)</u>	<u>\$ 2,765,512</u>	<u>\$ 1,938,220</u>

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)									
	2025 2024	2024 2023	2023 2022	2022 2021	2021 2020	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015
ASPR - Pension										
City's Proportion of the Net Pension Liability	0.070550%	0.066670%	0.064790%	0.059880%	0.061710%	0.060670%	0.061800%	0.058470%	0.054700%	0.051940%
City's Proportionate Share of the Net Pension Liability	\$ 11,289,062	\$ 10,788,169	\$ 10,575,166	\$ 7,867,965	\$ 10,692,196	\$ 8,828,191	\$ 8,618,925	\$ 9,108,486	\$ 8,829,130	\$ 8,090,772
City's Covered Payroll	\$ 8,563,741	\$ 8,675,868	\$ 7,764,801	\$ 6,770,609	\$ 6,811,200	\$ 6,348,867	\$ 6,083,565	\$ 5,674,189	\$ 5,180,296	\$ 4,898,994
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	131.82%	125.97%	136.19%	116.21%	156.98%	139.05%	141.68%	160.52%	170.44%	165.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.93%	75.47%	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%
	Reporting Fiscal Year (Measurement Date)									
	2025 2024	2024 2023	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)		
ASPR - Health Insurance Premium Benefit										
City's Proportion of the Net OPEB Liability (Asset)		0.071750%	0.067640%	0.066010%	0.061130%	0.062890%	0.061540%	0.062440%	0.0005889	
City's Proportionate Share of the Net OPEB Liability (Asset)	\$	(433,534)	\$ (365,207)	\$ (368,401)	\$ (297,831)	\$ (44,526)	\$ (17,008)	\$ (22,484)	-32060	
City's Covered Payroll	\$	8,563,741	\$ 8,675,868	\$ 7,764,801	\$ 6,770,609	\$ 6,811,200	\$ 6,348,867	\$ 6,083,565	\$ 5,674,189	
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll		(5.06)%	(4.26)%	(4.74)%	(4.40)%	(0.65)%	(0.27)%	(0.37)%	(0.57)%	
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		137.51%	134.37%	137.79%	130.24%	104.33%	101.62%	102.20%	103.57%	
	Reporting Fiscal Year (Measurement Date)									
	2025 2024	2024 2023	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 2017		
ASPR - Long-Term Disability										
City's Proportion of the Net OPEB Liability		0.071180%	0.067050%	0.065270%	0.060510%	0.062360%	0.061180%	0.061910%	0.0005851	
City's Proportionate Share of the Net OPEB Liability	\$	1,856	\$ 8,786	\$ 6,028	\$ 12,491	\$ 47,307	\$ 39,855	\$ 32,348	21209	
City's Covered Payroll	\$	8,563,741	\$ 8,675,868	\$ 7,764,801	\$ 6,770,609	\$ 6,811,200	\$ 6,348,867	\$ 6,083,565	\$ 5,674,189	
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll		0.02%	0.10%	0.08%	0.18%	0.69%	0.63%	0.53%	(0.37)%	
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		98.77%	93.70%	95.40%	90.38%	68.01%	72.85%	77.83%	84.44%	

See accompanying Notes to Pension/OPEB Plan Schedules.

CITY OF SEDONA, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION/OPEB LIABILITY AND RELATED RATIOS
AGENT PLANS

	Reporting Fiscal Year (Measurement Date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
PSPRS Police										
Total Pension Liability:										
Service Cost	\$ 305,398	\$ 329,994	\$ 312,682	\$ 316,047	\$ 341,549	\$ 370,528	\$ 356,017	\$ 418,975	\$ 292,709	\$ 299,781
Interest on the Total Pension Liability	1,293,067	1,225,453	1,110,818	1,068,437	1,001,517	913,618	868,127	798,874	710,713	690,996
Changes of Benefit Terms	-	-	-	-	-	-	-	135,940	485,931	-
Differences Between Expected and Actual Experience in the Measurement or the Pension Liability	572,145	307,698	882,313	(966)	313,044	394,857	(232,384)	(31,720)	108,055	(309,534)
Changes of Assumptions or Other Inputs	-	-	301,702	-	-	360,590	-	277,336	411,683	-
Benefit Payments, Including Refunds or Employee Contributions	(956,948)	(841,992)	(800,677)	(798,494)	(629,300)	(645,490)	(493,585)	(482,678)	(465,793)	(387,285)
Net Change in Total Pension Liability	1,213,662	1,021,153	1,806,838	585,024	1,026,810	1,394,103	498,175	1,116,727	1,543,298	293,958
Total Pension Liability - Beginning	18,132,335	17,111,182	15,304,344	14,719,320	13,692,510	12,298,407	11,800,232	10,683,505	9,140,207	8,846,249
Total Pension Liability - Ending (a)	<u>\$ 19,345,997</u>	<u>\$ 18,132,335</u>	<u>\$ 17,111,182</u>	<u>\$ 15,304,344</u>	<u>\$ 14,719,320</u>	<u>\$ 13,692,510</u>	<u>\$ 12,298,407</u>	<u>\$ 11,800,232</u>	<u>\$ 10,683,505</u>	<u>\$ 9,140,207</u>
Plan Fiduciary Net Position:										
Contributions - Employer	\$ 6,148,526	\$ 2,118,999	\$ 1,016,035	\$ 1,135,903	\$ 875,434	\$ 894,934	\$ 879,735	\$ 444,238	\$ 483,472	\$ 396,718
Contributions - Employee	96,612	125,753	216,507	134,986	137,348	148,600	204,147	178,624	182,485	185,850
Net Investment Income	1,640,762	1,032,869	(494,243)	2,295,877	117,990	455,645	510,813	722,712	35,088	193,322
Benefit Payments, Including Refunds or Employee Contributions	(956,948)	(841,992)	(800,677)	(798,494)	(629,300)	(645,490)	(493,585)	(482,678)	(465,793)	(387,285)
Administrative Expense	(9,427)	(7,693)	(8,913)	(12,073)	(9,622)	(8,917)	(8,475)	(6,795)	(5,449)	(5,098)
Other Changes	-	-	-	-	-	-	(146,820)	(17,256)	8,784	4,796
Net Change in Plan Fiduciary Net Position	6,919,525	2,427,936	(71,291)	2,756,199	491,850	844,772	945,815	838,845	238,587	388,303
Plan Fiduciary Net Position - Beginning	14,035,804	11,607,868	11,679,159	8,922,960	8,431,110	7,586,338	6,640,523	5,801,678	5,563,091	5,174,788
Plan Fiduciary Net Position - Ending (b)	<u>\$ 20,955,329</u>	<u>\$ 14,035,804</u>	<u>\$ 11,607,868</u>	<u>\$ 11,679,159</u>	<u>\$ 8,922,960</u>	<u>\$ 8,431,110</u>	<u>\$ 7,586,338</u>	<u>\$ 6,640,523</u>	<u>\$ 5,801,678</u>	<u>\$ 5,563,091</u>
City's Net Pension (Asset) Liability - Ending (a) - (b)	<u>\$ (1,609,332)</u>	<u>\$ 4,096,531</u>	<u>\$ 5,503,314</u>	<u>\$ 3,625,185</u>	<u>\$ 5,796,360</u>	<u>\$ 5,261,400</u>	<u>\$ 4,712,069</u>	<u>\$ 5,159,709</u>	<u>\$ 4,881,827</u>	<u>\$ 3,577,116</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability										
	108.32%	77.41%	67.84%	76.31%	60.62%	61.57%	61.69%	56.27%	54.36%	60.86%
Covered Payroll	\$ 3,455,505	\$ 2,171,480	\$ 2,407,191	\$ 2,204,518	\$ 1,896,886	\$ 1,688,863	\$ 1,816,663	\$ 1,620,810	\$ 1,983,869	\$ 1,881,985
City's Net Pension (Asset) Liability as a Percentage of Covered Payroll	-46.57%	118.55%	228.62%	164.44%	305.57%	311.54%	259.38%	318.34%	246.08%	190.07%

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 (CONTINUED)
AGENT PLANS

	Reporting Fiscal Year (Measurement Date)							
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
<u>PSPRS Health Insurance Premium Benefit</u>								
Total Pension Liability:								
Service Cost	\$ 5,061	\$ 5,997	\$ 7,221	\$ 7,653	\$ 8,094	\$ 6,453	\$ 6,095	\$ 6,791
Interest on the Total OPEB Liability	17,962	18,023	19,812	16,003	13,328	13,924	12,499	13,717
Changes of Benefit Terms	-	-	-	-	-	-	-	419
Differences Between Expected and Actual Experience in the Measurement or the OPEB Liability	21,824	(7,990)	(34,104)	54,489	44,920	(19,338)	3,179	(18,591)
Changes of Assumptions or Other Inputs	-	-	2,348	-	-	1,877	-	(11,785)
Benefit Payments	(16,741)	(15,136)	(15,136)	(35,935)	(17,628)	(7,596)	(4,244)	(4,140)
Net Change in Total OPEB Liability	28,106	894	(19,859)	42,210	48,714	(4,680)	17,529	(13,589)
Total Pension Liability - Beginning	252,784	251,890	271,749	229,539	180,825	185,505	167,976	181,565
Total Pension Liability - Ending (a)	<u>\$ 280,890</u>	<u>\$ 252,784</u>	<u>\$ 251,890</u>	<u>\$ 271,749</u>	<u>\$ 229,539</u>	<u>\$ 180,825</u>	<u>\$ 185,505</u>	<u>\$ 167,976</u>
Plan Fiduciary Net Position:								
Contributions - Employer	\$ 2,735	\$ 3,659	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,977
Net Investment Income	32,709	23,761	(13,465)	81,616	3,923	16,488	20,233	(4,140)
Benefit Payments	(16,741)	(15,136)	(15,136)	(35,935)	(17,628)	(7,596)	(4,244)	(274)
Administrative Expense	(168)	(188)	(240)	(336)	(319)	(285)	(308)	-
Other Changes	-	-	-	-	-	-	1	-
Net Change in Plan Fiduciary Net Position	18,535	12,096	(28,841)	45,345	(14,024)	8,607	15,682	26,563
Plan Fiduciary Net Position - Beginning	330,275	318,179	347,020	301,675	315,699	307,092	291,410	264,847
Plan Fiduciary Net Position - Ending (b)	<u>\$ 348,810</u>	<u>\$ 330,275</u>	<u>\$ 318,179</u>	<u>\$ 347,020</u>	<u>\$ 301,675</u>	<u>\$ 315,699</u>	<u>\$ 307,092</u>	<u>\$ 291,410</u>
City's Net OPEB (Asset) Liability - Ending (a) - (b)	<u>\$ (67,920)</u>	<u>\$ (77,491)</u>	<u>\$ (66,289)</u>	<u>\$ (75,271)</u>	<u>\$ (72,136)</u>	<u>\$ (134,874)</u>	<u>\$ (121,587)</u>	<u>\$ (123,434)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	124.18%	130.66%	126.32%	127.70%	131.43%	174.59%	165.54%	173.00%
Covered Payroll	\$ 3,455,505	\$ 2,171,480	\$ 2,407,191	\$ 2,204,518	\$ 1,896,886	\$ 1,688,863	\$ 1,816,663	\$ 1,620,810
City's Net OPEB (Asset) Liability as a Percentage of Covered Payroll	(0.02)%	(0.02)%	(2.75)%	(3.41)%	(3.80)%	(7.99)%	(6.69)%	(7.62)%

See accompanying Notes to Pension/OPEB Plan Schedules.

**CITY OF SEDONA, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PENSION/OPEB CONTRIBUTIONS**

	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<u>ASRS - Pension</u>										
Statutorily Required Contribution	\$ 1,216,889	\$ 1,120,014	\$ 1,027,348	\$ 931,126	\$ 771,906	\$ 747,790	\$ 715,706	\$ 664,293	\$ 612,991	\$ 570,333
City's Contributions in Relation to the Statutorily Required Contribution	1,216,889	1,120,014	1,027,348	931,126	771,906	747,790	715,706	664,293	612,991	570,333
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 10,428,108	\$ 8,563,741	\$ 8,675,868	\$ 7,764,801	\$ 6,770,609	\$ 6,811,200	\$ 6,348,867	\$ 6,083,565	\$ 5,674,189	\$ 5,180,296
City's Contributions as a Percentage of Covered Payroll	11.67%	13.08%	11.84%	11.99%	11.40%	10.98%	11.27%	10.92%	10.80%	11.01%
	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	
<u>ASRS - Health Insurance Premium Benefit</u>										
Statutorily Required Contribution	\$ 7,069	\$ 10,233	\$ 9,481	\$ 16,281	\$ 33,034	\$ 30,414	\$ 29,448	\$ 26,816	\$ 31,844	
City's Contributions in Relation to the Statutorily Required Contribution	7,069	10,233	9,481	16,281	33,034	30,414	29,448	26,816	31,844	
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's Covered Payroll	\$ 10,428,108	\$ 8,563,741	\$ 8,675,868	\$ 7,764,801	\$ 6,770,609	\$ 6,811,200	\$ 6,348,867	\$ 6,083,565	\$ 5,674,189	
City's Contributions as a Percentage of Covered Payroll	0.07%	0.12%	0.11%	0.21%	0.49%	0.45%	0.46%	0.44%	0.56%	
	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	
<u>ASRS - Long-Term Disability</u>										
Statutorily Required Contribution	\$ 15,148	\$ 13,023	\$ 16,481	\$ 14,484	\$ 11,460	\$ 11,240	\$ 10,243	\$ 9,751	\$ 7,961	
City's Contributions in Relation to the Statutorily Required Contribution	15,148	13,023	16,481	14,484	11,460	11,240	10,243	9,751	7,961	
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's Covered Payroll	\$ 10,428,108	\$ 8,563,741	\$ 8,675,868	\$ 7,764,801	\$ 6,770,609	\$ 6,811,200	\$ 6,348,867	\$ 6,083,565	\$ 5,674,189	
City's Contributions as a Percentage of Covered Payroll	0.15%	0.15%	0.19%	0.19%	0.17%	0.17%	0.16%	0.16%	0.14%	

See accompanying Notes to Pension/OPEB Plan Schedules.

CITY OF SEDONA, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PENSION/OPEB CONTRIBUTIONS (CONTINUED)

	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<u>PSPRS - Police</u>										
Actuarially Determined Contribution	\$ 746,121	\$ 2,346,481	\$ 526,719	\$ 667,163	\$ 687,646	\$ 511,870	\$ 636,952	\$ 607,984	\$ 431,195	\$ 431,873
City's Contributions in Relation to the Actuarially Determined Contribution	746,121	6,184,285	2,160,735	1,049,464	687,646	967,916	994,591	659,507	504,595	431,873
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (3,837,804)</u>	<u>\$ (1,634,016)</u>	<u>\$ (382,301)</u>	<u>\$ -</u>	<u>\$ (456,046)</u>	<u>\$ (357,639)</u>	<u>\$ (51,523)</u>	<u>\$ (73,400)</u>	<u>\$ -</u>
City's Covered Payroll	\$ 3,162,744	\$ 3,455,505	\$ 2,171,480	\$ 2,407,191	\$ 2,204,518	\$ 1,896,886	\$ 1,688,863	\$ 1,816,663	\$ 1,620,810	\$ 1,983,869
City's Contributions as a Percentage of Covered Payroll	23.59%	178.97%	99.51%	43.60%	31.19%	51.03%	58.89%	36.30%	31.13%	21.77%
	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	
<u>PSPRS - Health Insurance Premium Benefit</u>										
Actuarially Determined Contribution	\$ 1,269	\$ 9,330	\$ 280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
City's Contributions in Relation to the Actuarially Determined Contribution	1,269	7,232	8,822	-	-	-	-	-	-	
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ 2,098</u>	<u>\$ (8,542)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's Covered Payroll	\$ 3,162,744	\$ 3,455,505	\$ 2,171,480	\$ 2,407,191	\$ 2,204,518	\$ 1,896,886	\$ 1,688,863	\$ 1,816,663	\$ 1,620,810	
City's Contributions as a Percentage of Covered Payroll	0.04%	0.21%	0.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	

See accompanying Notes to Pension/OPEB Plan Schedules.

**CITY OF SEDONA, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO PENSION/OPEB PLAN SCHEDULES
JUNE 30, 2025**

NOTE 1 ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial Cost Method	Entry age normal
Amortization Method	Level percent-of-pay, closed
Remaining Amortization Period as of the 2021 Actuarial Valuation	15 years
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions:	
Investment Rate of Return	In the 2022 actuarial valuation, the investment rate of return was decreased from 7.3% to 7.2%. 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 2022 actuarial valuation, wage growth was changed from 3.5% to a range of 3.0 6.25%. 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).

**CITY OF SEDONA, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO PENSION/OPEB PLAN SCHEDULES
JUNE 30, 2025**

NOTE 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.

CITY OF SEDONA, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – BUDGETARY BASIS
GENERAL FUND
YEAR ENDED JUNE 30, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes:				
Sales Taxes	\$ 37,711,000	\$ 37,711,000	\$ 38,755,967	\$ 1,044,967
Franchise Taxes	848,000	848,000	937,111	89,111
In-Lieu Taxes	570,000	570,000	576,810	6,810
Licenses and Permits	579,420	579,420	745,895	166,475
Intergovernmental	4,223,100	4,223,100	4,479,779	256,679
Charges for Services	858,730	861,380	916,151	54,771
Fines and Forfeitures	372,550	372,480	658,649	286,169
Investment Earnings (Loss)	648,620	586,500	1,778,842	1,192,342
Rents	-	-	106,832	106,832
Other Revenues	68,300	130,740	118,931	(11,809)
Total Revenues	<u>45,879,720</u>	<u>45,882,620</u>	<u>49,074,967</u>	<u>3,192,347</u>
BUDGETARY EXPENDITURES				
City Council	105,722	74,520	69,162	5,358
City Manager	1,483,148	1,045,420	784,666	260,754
Human Resources	785,540	553,700	486,829	66,871
Financial Services	2,568,745	1,810,620	1,384,356	426,264
City Attorney	1,141,551	804,640	678,705	125,935
City Clerk	665,020	468,750	449,458	19,292
Parks and Recreation	3,554,830	1,079,120	1,212,205	(133,085)
General Services	4,109,095	2,896,360	3,025,976	(129,616)
Community Development	-	2,062,730	767,973	1,294,757
Public Works	2,495,240	5,298,700	4,782,811	515,889
Economic Development	-	2,358,770	2,068,552	290,218
Sustainability	1,059,039	746,480	812,110	(65,630)
Police	10,158,460	11,062,100	7,089,528	3,972,572
Other Public Safety	-	30,000	(334)	30,334
Municipal Court	1,116,170	786,750	949,797	(163,047)
Indirect Costs	597,270	597,270	711,505	(114,235)
Contingency	300,000	300,000	(3,341)	303,341
Debt Service	2,300,600	3,772,940	3,183,945	588,995
Capital Outlay	-	-	2,813,020	(2,813,020)
Total Budgetary Expenditures	<u>32,440,430</u>	<u>35,748,870</u>	<u>31,266,922</u>	<u>4,481,948</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	13,439,290	10,133,750	17,808,045	7,674,295
BUDGETARY OTHER FINANCING SOURCES (USES)				
Transfers Out	(8,339,060)	(18,539,060)	(17,639,060)	900,000
Total Budgetary Other Financing Sources (Uses)	<u>(8,339,060)</u>	<u>(18,539,060)</u>	<u>(17,639,060)</u>	<u>900,000</u>
Add Back Equipment Replacement Reserve	<u>2,001,478</u>	<u>2,001,478</u>	<u>2,001,478</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	7,101,708	(6,403,832)	2,170,463	8,574,295
Fund Balance - Beginning of Year	<u>47,225,992</u>	<u>32,784,157</u>	<u>42,129,884</u>	<u>9,345,727</u>
FUND BALANCE - END OF YEAR	<u>\$ 54,327,700</u>	<u>\$ 26,380,325</u>	<u>\$ 44,300,347</u>	<u>\$ 17,920,022</u>

CITY OF SEDONA, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – BUDGETARY BASIS
STREETS FUND
YEAR ENDED JUNE 30, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 1,078,000	\$ 1,078,000	\$ 1,102,995	\$ 24,995
Investment Earnings (Loss)	-	-	152,038	152,038
Other Revenues	29,600	29,600	25,879	(3,721)
Total Revenues	1,107,600	1,107,600	1,280,912	173,312
EXPENDITURES				
Public Works and Streets	2,955,290	2,722,650	2,320,036	402,614
Debt Service	-	159,280	140,785	18,495
Capital Outlay	-	-	304,691	(304,691)
Total Expenditures	2,955,290	2,881,930	2,765,512	116,418
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(1,847,690)	(1,774,330)	(1,484,600)	289,730
OTHER FINANCING SOURCES				
Transfers In	1,938,220	1,938,220	1,938,220	-
Add Back Equipment Replacement Reserve	73,360	73,360	73,360	-
NET CHANGE IN FUND BALANCE	163,890	237,250	526,980	289,730
Fund Balance - Beginning of Year	1,427,819	22,059,579	2,313,345	(19,746,234)
FUND BALANCE - END OF YEAR	<u>\$ 1,591,709</u>	<u>\$ 22,296,829</u>	<u>\$ 2,840,325</u>	<u>\$ (19,456,504)</u>

CITY OF SEDONA, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
TRANSPORTATION SALES TAX FUND
YEAR ENDED JUNE 30, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Sales Taxes	\$ 4,737,000	\$ 4,737,000	\$ 4,832,400	\$ 95,400
Investment Earnings (Loss)	168,500	168,500	51,096	(117,404)
Total Revenues	4,905,500	4,905,500	4,883,496	(22,004)
EXPENDITURES				
Public Works and Streets	147,730	147,730	142,536	5,194
Debt Service	341,580	341,580	288,252	53,328
Total Expenditures	489,310	489,310	430,788	58,522
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	4,416,190	4,416,190	4,452,708	36,518
OTHER FINANCING SOURCES (USES)				
Transfers Out	(12,141,330)	(11,841,330)	(9,733,988)	2,107,342
NET CHANGE IN FUND BALANCE	(7,725,140)	(7,425,140)	(5,281,280)	2,143,860
Fund Balance - Beginning of Year	6,330,540	11,470,120	5,146,192	(6,323,928)
FUND BALANCE - END OF YEAR	<u>\$ (1,394,600)</u>	<u>\$ 4,044,980</u>	<u>\$ (135,088)</u>	<u>\$ (4,180,068)</u>

**COMBINING AND INDIVIDUAL FUNDS
FINANCIAL STATEMENTS AND SCHEDULES**

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**CITY OF SEDONA, ARIZONA
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.

Grants & Donations Fund – To account for federal, state, and other grants and contributions which are restricted for specific use.

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**CITY OF SEDONA, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025**

	Sedona Summit II Community Facilities District	Fairfield Community Facilities District	Art in Public Places	Grants and Donations	Total Nonmajor Governmental Funds
ASSETS					
Cash and Investments	\$ 308,642	\$ 273,661	\$ 129,175	\$ 957,864	\$ 1,669,342
Receivables, Net of Allowance for Uncollectibles:					
Accounts Receivable	-	26,064	-	-	26,064
Accrued Interest	1,000	886	418	2,884	5,188
Total Assets	<u>\$ 309,642</u>	<u>\$ 300,611</u>	<u>\$ 129,593</u>	<u>\$ 960,748</u>	<u>\$ 1,700,594</u>
LIABILITIES					
Accounts Payable	\$ 12,384	\$ -	2,821	\$ 2,835	\$ 18,040
Due to Other Government Units	-	-	-	52	52
Unearned Revenue	-	-	-	594,123	594,123
Total Liabilities	<u>12,384</u>	<u>-</u>	<u>2,821</u>	<u>597,010</u>	<u>612,215</u>
FUND BALANCES (DEFICITS)					
Restricted	297,258	300,611	32,533	286,480	916,882
Committed	-	-	94,239	-	94,239
Assigned	-	-	-	77,258	77,258
Total Fund Balances (Deficits)	<u>297,258</u>	<u>300,611</u>	<u>126,772</u>	<u>363,738</u>	<u>1,088,379</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 309,642</u>	<u>\$ 300,611</u>	<u>\$ 129,593</u>	<u>\$ 960,748</u>	<u>\$ 1,700,594</u>

CITY OF SEDONA, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	Sedona Summit II Community Facilities District	Fairfield Community Facilities District	Art in Public Places	Grants and Donations	Total Nonmajor Governmental Funds
REVENUES					
Taxes:					
In-Lieu Taxes	\$ 49,659	\$ 103,922	\$ -	\$ -	\$ 153,581
Intergovernmental	-	-	-	1,367,782	1,367,782
Charges for Services	-	-	-	5,157	5,157
Contributions	-	-	15,740	30,408	46,148
Investment Earnings (Loss)	13,524	11,569	7,925	75,848	108,866
Other Revenues	-	-	-	10,318	10,318
Total Revenues	<u>63,183</u>	<u>115,491</u>	<u>23,665</u>	<u>1,489,513</u>	<u>1,691,852</u>
EXPENDITURES					
Current:					
General Government	-	-	-	19,679	19,679
Public Safety	-	-	-	47,016	47,016
Public Works and Streets	12,652	-	-	-	12,652
Culture and Recreation	-	-	-	12,850	12,850
Housing	-	-	-	13,990	13,990
Capital Outlay	-	-	155,032	46,173	201,205
Total Expenditures	<u>12,652</u>	<u>-</u>	<u>155,032</u>	<u>139,708</u>	<u>307,392</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	50,531	115,491	(131,367)	1,349,805	1,384,460
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	42,900	-	42,900
Transfers Out	-	-	-	(1,197,321)	(1,197,321)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>42,900</u>	<u>(1,197,321)</u>	<u>(1,154,421)</u>
NET CHANGE IN FUND BALANCES	50,531	115,491	(88,467)	152,484	230,039
Fund Balances - Beginning of Year	<u>246,727</u>	<u>185,120</u>	<u>215,239</u>	<u>211,254</u>	<u>858,340</u>
FUND BALANCES - END OF YEAR	<u>\$ 297,258</u>	<u>\$ 300,611</u>	<u>\$ 126,772</u>	<u>\$ 363,738</u>	<u>\$ 1,088,379</u>

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
CAPITAL IMPROVEMENTS FUND
YEAR ENDED JUNE 30, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 1,225,000	\$ 1,225,000	\$ 80,148	\$ (1,144,852)
Contributions	-	-	462	462
Investment Earnings (Loss)	470,900	470,900	1,724,462	1,253,562
Total Revenues	1,695,900	1,695,900	1,805,072	109,172
EXPENDITURES				
General Government	-	-	489,217	(489,217)
Public Safety	-	-	20,376	(20,376)
Debt Service	-	-	1,122,375	(1,122,375)
Capital Outlay	28,840,790	31,230,930	16,472,520	14,758,410
Total Expenditures	28,840,790	31,230,930	18,104,488	13,636,035
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(27,144,890)	(29,535,030)	(16,299,416)	13,745,207
OTHER FINANCING SOURCES (USES)				
Revenue Bonds Issued	-	-	19,227,319	19,227,319
Transfers In	10,527,180	20,327,180	18,855,530	(1,471,650)
Transfers Out	(1,352,720)	(1,354,420)	(1,354,420)	-
Total Other Financing Sources (Uses)	9,174,460	18,972,760	36,728,429	17,755,669
NET CHANGE IN FUND BALANCE	(17,970,430)	(10,562,270)	20,429,013	31,500,876
Fund Balance - Beginning of Year	13,747,247	5,885,027	17,846,590	11,961,563
FUND BALANCE - END OF YEAR	<u>\$ (4,223,183)</u>	<u>\$ (4,677,243)</u>	<u>\$ 38,275,603</u>	<u>\$ 43,462,439</u>

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
SEDONA SUMMIT II COMMUNITY FACILITIES DISTRICT FUND
YEAR ENDED JUNE 30, 2025

	Budget Original and Final	Actual	Variance with Final Budget
REVENUES			
In-Lieu Taxes	\$ 41,500	\$ 49,659	\$ 8,159
Investment Earnings (Loss)	8,100	13,524	5,424
Total Revenues	<u>49,600</u>	<u>63,183</u>	<u>13,583</u>
EXPENDITURES			
Public Works and Streets	-	12,652	(12,652)
Capital Outlay	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Total Expenditures	<u>60,000</u>	<u>12,652</u>	<u>47,348</u>
NET CHANGE IN FUND BALANCE	(10,400)	50,531	60,931
Fund Balance - Beginning of Year	<u>173,080</u>	<u>246,727</u>	<u>73,647</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 162,680</u></u>	<u><u>\$ 297,258</u></u>	<u><u>\$ 134,578</u></u>

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
FAIRFIELD COMMUNITY FACILITIES DISTRICT FUND
YEAR ENDED JUNE 30, 2025

	<u>Budget</u> <u>Original and</u> <u>Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
REVENUES			
In-Lieu Taxes	\$ 119,400	\$ 103,922	\$ (15,478)
Investment Earnings (Loss)	3,070	11,569	8,499
Total Revenues	<u>122,470</u>	<u>115,491</u>	<u>(6,979)</u>
EXPENDITURES			
Capital Outlay	<u>65,000</u>	<u>-</u>	<u>65,000</u>
Total Expenditures	<u>65,000</u>	<u>-</u>	<u>65,000</u>
NET CHANGE IN FUND BALANCE	57,470	115,491	58,021
Fund Balance - Beginning of Year	<u>58,613</u>	<u>185,120</u>	<u>126,507</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 116,083</u></u>	<u><u>\$ 300,611</u></u>	<u><u>\$ 184,528</u></u>

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
ART IN PUBLIC PLACES FUND
YEAR ENDED JUNE 30, 2025

	Budget Original and Final	Actual	Variance with Final Budget
REVENUES			
Contributions	\$ -	\$ 15,740	\$ 15,740
Investment Earnings (Loss)	4,090	7,925	3,835
Total Revenues	<u>4,090</u>	<u>23,665</u>	<u>19,575</u>
EXPENDITURES			
Capital Outlay	119,000	155,032	(36,032)
Total Expenditures	<u>119,000</u>	<u>155,032</u>	<u>(36,032)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(114,910)	(131,367)	(16,457)
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>42,900</u>	<u>42,900</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(72,010)	(88,467)	(16,457)
Fund Balance - Beginning of Year	<u>(61,911)</u>	<u>215,239</u>	<u>277,150</u>
FUND BALANCE - END OF YEAR	<u><u>\$ (133,921)</u></u>	<u><u>\$ 126,772</u></u>	<u><u>\$ 260,693</u></u>

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
GRANTS AND DONATIONS FUND
YEAR ENDED JUNE 30, 2025

	Budget Original and Final	Actual	Variance with Final Budget
REVENUES			
Intergovernmental	\$ 2,789,980	\$ 1,367,782	\$ (1,422,198)
Charges for Services	34,900	5,157	(29,743)
Contributions	10,400	30,408	20,008
Investment Earnings (Loss)	46,320	75,848	29,528
Other Revenues	500,000	10,318	(489,682)
Total Revenues	<u>3,381,600</u>	<u>1,489,513</u>	<u>(1,892,087)</u>
EXPENDITURES			
General Government	511,500	19,679	491,821
Public Safety	81,990	47,016	34,974
Culture and Recreation	13,200	12,850	350
Housing	772,120	13,990	758,130
Capital Outlay	-	46,173	(46,173)
Total Expenditures	<u>1,378,810</u>	<u>139,708</u>	<u>1,239,102</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	2,002,790	1,349,805	(3,131,189)
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(1,911,860)</u>	<u>(1,197,321)</u>	<u>(714,539)</u>
NET CHANGE IN FUND BALANCE	2,002,790	152,484	(652,985)
Fund Balance - Beginning of Year	<u>58,613</u>	<u>211,254</u>	<u>152,641</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 2,061,403</u></u>	<u><u>\$ 363,738</u></u>	<u><u>\$ (500,344)</u></u>

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – BUDGETARY BASIS
DEVELOPMENT IMPACT FEES FUND
YEAR ENDED JUNE 30, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Impact Fees	\$ 465,900	\$ 465,900	\$ 390,623	\$ (75,277)
Investment Earnings (Loss)	71,020	71,020	58,284	(12,736)
Other Revenues	-	-	497	497
Total Revenues	536,920	536,920	449,404	(87,516)
EXPENDITURES				
General Government	48,000	48,000	19,272	28,728
Debt Service	248,570	248,570	178,980	69,590
Capital Outlay	5,714,360	5,926,110	4,720,249	1,205,861
Total Expenditures	6,010,930	6,222,680	4,918,501	1,304,179
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(5,474,010)	(5,685,760)	(4,469,097)	1,216,663
OTHER FINANCING SOURCES (USES)				
Transfers In	1,311,520	1,311,520	1,311,520	-
NET CHANGE IN FUND BALANCE	(4,162,490)	(4,374,240)	(3,157,577)	1,216,663
Fund Balance - Beginning of Year	(1,370,217)	(2,974,265)	1,163,941	4,138,206
FUND BALANCE - END OF YEAR	<u>\$ (5,532,707)</u>	<u>\$ (7,348,505)</u>	<u>\$ (1,993,636)</u>	<u>\$ 5,354,869</u>

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – BUDGETARY BASIS
WASTEWATER ENTERPRISE FUND
YEAR ENDED JUNE 30, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for Services	\$ 6,251,100	\$ 6,250,000	\$ 6,466,704	\$ 216,704
Capacity Fees	1,717,000	1,717,000	993,856	(723,144)
Investment Earnings (Loss)	408,800	403,800	846,883	443,083
Other Revenues	60,000	104,000	53,685	(50,315)
Total Revenues	8,436,900	8,474,800	8,361,128	(113,672)
EXPENDITURES				
Salaries and Employee Benefits	260,200	2,051,160	1,725,650	325,510
Supplies and Other	3,972,260	3,972,730	3,554,616	418,114
Debt Service	4,334,500	4,541,620	4,545,708	(4,088)
Capital Outlay	8,201,950	8,587,120	5,633,486	2,953,634
Contingency	100,000	100,000	-	100,000
Total Expenditures	16,868,910	19,252,630	15,459,460	3,793,170
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(8,432,010)	(10,777,830)	(7,098,332)	3,679,498
OTHER FINANCING SOURCES (USES)				
Transfers In	4,911,860	4,911,860	4,197,321	(714,539)
Add Back Equipment Replacement Reserve	375,290	375,290	375,290	-
Add Back Major Maintenance Reserve	13,800	13,800	13,800	-
NET CHANGE IN FUND BALANCE	(3,131,060)	(5,476,880)	(2,511,921)	2,964,959
Fund Balance - Beginning of Year	14,084,699	12,914,979	17,522,246	4,607,267
FUND BALANCE - END OF YEAR	<u>\$ 10,953,639</u>	<u>\$ 7,438,099</u>	<u>\$ 15,010,325</u>	<u>\$ 7,572,226</u>

RECONCILIATION TO NET POSITION PER STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION:

NET POSITION - END OF YEAR, BUDGETARY BASIS	\$ 15,010,325
Adjustments to Reconcile Net Position:	
Adjustments from Prior Years	88,191,762
Capital Contribution - Developer-Capacity Fees	991,756
Lease Proceeds	-
Depreciation and Amortization	(3,922,093)
Capital Outlay	5,633,486
Principal Paid on Long-Term Debt	4,476,030
Decrease in Long-Term Interest Payable	254,129
Increase in Compensated Absences	24,147
Increase in Net Pension/OPEB Asset	5,891
Increase in Deferred Outflows	(54,920)
Increase in Net Pension Liability	(6,776)
Increase in Deferred Inflows	(33,714)
NET POSITION - END OF YEAR	<u>\$ 110,570,023</u>

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – BUDGETARY BASIS
PUBLIC TRANSIT ENTERPRISE FUND
YEAR ENDED JUNE 30, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	\$ 800,200	\$ 800,200	\$ 95,880	\$ (704,320)
Charges for Services	36,500	36,500	26,781	(9,719)
Investment Earnings (Loss)	114,000	114,000	432,612	318,612
Other Revenues	-	-	1,142	1,142
Total Revenues	950,700	950,700	556,415	(394,285)
EXPENDITURES				
Salaries and Employee Benefits	234,520	212,920	201,600	11,320
Supplies and Other	3,139,270	2,665,490	2,346,699	318,791
Debt Service	-	300,570	297,570	3,000
Capital Outlay	1,942,900	2,301,000	186,420	2,114,580
Total Expenditures	5,316,690	5,479,980	3,032,289	2,447,691
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(4,365,990)	(4,529,280)	(2,475,874)	2,053,406
OTHER FINANCING SOURCES (USES)				
Transfers In	4,479,990	4,179,990	3,544,298	(635,692)
Add Back Equipment Replacement Reserve	236,710	236,710	-	(236,710)
NET CHANGE IN FUND BALANCE	350,710	(112,580)	1,068,424	1,181,004
Fund Balance - Beginning of Year	5,000,000	(1,122,050)	7,737,844	8,859,894
FUND BALANCE - END OF YEAR	<u>\$ 5,350,710</u>	<u>\$ (1,234,630)</u>	<u>\$ 8,806,268</u>	<u>\$ 10,040,898</u>

RECONCILIATION TO NET POSITION PER STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION:

NET POSITION - END OF YEAR, BUDGETARY BASIS	\$ 8,806,268
Adjustments to Reconcile Net Position:	
Adjustments from Prior Years	2,245,457
Capital Contribution - Transit Bus Acquisition	-
Depreciation and Amortization	(309,377)
Capital Outlay	186,420
Principal Paid on Long-Term Debt	311,413
Decrease in Compensated Absences	(932)
Increase in Deferred Outflows	(7,400)
Increase in Net Pension Asset	902
Increase in Net Pension Liability	(3,854)
Increase in Deferred Inflows	(4,754)
NET POSITION - END OF YEAR	<u>\$ 11,224,143</u>

CITY OF SEDONA, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – BUDGETARY BASIS
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for Services	\$ 2,676,790	\$ 2,859,710	\$ 2,859,889	\$ 179
Investment Earnings (Loss)	19,600	19,600	130,218	110,618
Total Revenues	2,696,390	2,879,310	2,990,107	110,797
EXPENDITURES				
Salaries and Employee Benefits	848,030	848,034	880,864	(32,830)
Supplies and Other	1,521,840	1,677,482	1,301,817	375,665
Debt Service	-	-	18,458	(18,458)
Capital Outlay	149,930	149,930	51,517	98,413
Total Expenditures	2,519,800	2,675,446	2,252,656	422,790
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	176,590	203,864	737,451	533,587
OTHER FINANCING SOURCES (USES)				
Transfers In	35,000	35,000	35,000	-
Add Back Equipment Replacement Reserve	93,940	93,940	-	93,940
NET CHANGE IN FUND BALANCE	305,530	332,804	772,451	627,527
Fund Balance - Beginning of Year	1,708,896	1,663,826	1,990,120	326,294
FUND BALANCE - END OF YEAR	<u>\$ 2,014,426</u>	<u>\$ 1,996,630</u>	<u>\$ 2,762,571</u>	<u>\$ 953,821</u>

RECONCILIATION TO NET POSITION PER STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION:

NET POSITION - END OF YEAR, BUDGETARY BASIS	\$ 2,762,571
Adjustments to Reconcile Net Position:	
Adjustments from Prior Years	(230,760)
Depreciation and Amortization	(78,872)
Capital Outlay	51,517
Principal Paid on Long-Term Debt	19,809
Increase in Compensated Absences	1,227
Increase in Net Pension Asset	3,463
Increase in Deferred Outflows	(31,389)
Increase in Net Pension Liability	(11,091)
Increase in Deferred Inflows	(18,034)
NET POSITION - END OF YEAR	<u>\$ 2,468,441</u>

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									
	2025	2024	2023	2022	(Restated) 2021	(Restated) 2020	2019	(Restated) 2018	(Restated) 2017	(Restated) 2016
Governmental Activities:										
Net Investment in Capital Assets	\$ 100,315,521	\$ 88,309,570	\$ 73,125,270	\$ 55,543,230	\$ 51,575,032	\$ 45,121,985	\$ 36,964,267	\$ 34,194,446	\$ 30,918,472	\$ 27,547,603
Restricted	3,159,307	19,994,818	6,139,032	5,516,511	5,166,724	4,722,195	3,904,561	3,491,426	4,554,465	6,399,927
Unrestricted	58,898,333	35,416,762	43,234,110	51,561,187	35,289,161	23,816,343	23,988,145	16,585,365	13,326,749	10,840,148
Total Governmental Activities Net Position	<u>\$ 162,373,161</u>	<u>\$ 143,721,150</u>	<u>\$ 122,498,412</u>	<u>\$ 112,620,928</u>	<u>\$ 92,030,917</u>	<u>\$ 73,660,523</u>	<u>\$ 64,856,973</u>	<u>\$ 54,271,237</u>	<u>\$ 48,799,686</u>	<u>\$ 44,787,678</u>
Business-Type Activities:										
Net Investment in Capital Assets	\$ 94,114,405	\$ 93,215,821	\$ 91,813,878	\$ 88,703,727	\$ 87,603,775	\$ 87,707,061	\$ 82,872,611	\$ 81,693,704	\$ 78,633,941	\$ 74,595,947
Restricted	54,110	47,317	46,127	41,123	5,678	1,854	2,571	3,486	-	-
Unrestricted	27,625,651	24,061,914	19,414,917	10,152,156	9,924,934	7,768,589	9,904,889	7,710,147	7,443,554	7,840,256
Total Business-Type Activities Net Position	<u>\$ 121,794,166</u>	<u>\$ 117,325,052</u>	<u>\$ 111,274,922</u>	<u>\$ 98,897,006</u>	<u>\$ 97,534,387</u>	<u>\$ 95,477,504</u>	<u>\$ 92,780,071</u>	<u>\$ 89,407,337</u>	<u>\$ 86,077,495</u>	<u>\$ 82,436,203</u>
Primary Government:										
Net Investment in Capital Assets	\$ 194,429,926	\$ 181,525,391	\$ 164,939,148	\$ 144,246,957	\$ 139,178,807	\$ 132,829,046	\$ 119,836,878	\$ 115,888,150	\$ 109,552,413	\$ 102,143,550
Restricted	3,213,417	20,042,135	6,185,159	5,537,634	5,172,402	4,724,049	3,907,132	3,494,912	4,554,465	6,399,927
Unrestricted	86,523,984	59,478,676	62,649,027	61,713,343	45,214,095	31,584,932	33,893,034	24,295,512	20,770,303	18,680,404
Total Primary Government Net Position	<u>\$ 284,167,327</u>	<u>\$ 261,046,202</u>	<u>\$ 233,773,334</u>	<u>\$ 211,517,934</u>	<u>\$ 189,565,304</u>	<u>\$ 169,138,027</u>	<u>\$ 157,637,044</u>	<u>\$ 143,678,574</u>	<u>\$ 134,877,181</u>	<u>\$ 127,223,881</u>

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									
	2025	2024	2023	2022	(Restated) 2021	(Restated) 2020	2019	(Restated) 2018	(Restated) 2017	(Restated) 2016
Expenses										
Governmental Activities:										
General Government	\$ 3,856,316	\$ 3,651,743	\$ 4,078,473	\$ 3,133,732	\$ 2,741,352	\$ 3,100,633	\$ 2,974,989	\$ 2,809,253	\$ 6,103,129	\$ 6,564,561
Public Safety	11,029,879	10,563,446	9,022,120	7,503,428	8,142,665	7,848,655	6,836,072	7,542,130	5,357,797	4,353,279
Public Works and Streets	8,893,513	8,286,653	8,076,904	8,012,886	5,844,312	5,621,361	5,488,876	5,336,542	4,534,423	3,025,476
Culture and Recreation	4,774,444	3,814,279	3,214,620	2,753,512	2,305,183	2,497,360	2,521,273	2,501,727	1,928,332	1,810,593
Economic Development	2,074,431	1,092,424	1,707,478	2,168,093	2,970,824	2,618,729	2,424,664	2,355,663	2,261,269	1,336,234
Health and Welfare	768,391	748,000	1,469,564	982,142	668,043	612,522	492,083	251,997	-	-
Public Transportation	96,870	80,000	65,224	60,900	60,000	255,418	202,363	188,604	-	-
Housing	376,947	406,898	299,408	312,342	70,127	280,621	-	-	-	-
Sustainability	820,424	710,604	-	-	-	-	-	-	-	-
Interest on Long-Term Debt	2,682,798	1,021,280	1,433,953	534,066	209,773	236,419	281,913	292,714	296,144	319,545
Total Governmental Activities	35,374,013	30,375,327	29,367,744	25,461,101	23,012,279	23,071,718	21,222,233	21,278,630	20,481,094	17,409,688
Business-Type Activities:										
Wastewater	9,306,902	8,908,999	8,838,720	8,578,632	8,899,470	8,316,948	8,691,487	8,217,210	7,590,660	7,394,559
Public Transportation	2,893,385	2,369,774	2,137,047	1,128,713	61,455	-	-	-	-	-
Total Business-Type Activities	12,200,287	11,278,773	10,975,767	9,707,345	8,960,925	8,316,948	8,691,487	8,217,210	7,590,660	7,394,559
Total Primary Government Expenses	47,574,300	41,654,100	40,343,511	35,168,446	31,973,204	31,388,666	29,913,720	29,495,840	28,071,754	24,804,247
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	1,815,281	1,733,026	893,844	680,721	567,083	686,472	674,910	824,299	661,395	674,762
Public Safety	563,045	797,236	997,604	982,099	830,129	385,984	617,090	607,666	24,743	31,570
Public Works	244,779	1,720,203	15,397	11,429	6,463	19,068	16,044	16,614	4,690	4,745
Culture and Recreation	288,328	350,062	149,154	190,079	80,354	80,158	138,768	131,359	121,295	104,217
Public Transportation	-	-	-	-	35	460	855	-	-	-
Operating Grants and Contributions	2,537,103	-	3,091,159	1,608,899	1,237,623	2,671,868	1,724,973	1,133,423	1,213,350	1,056,235
Capital Grants and Contributions	80,148	-	1,295,839	2,020,763	1,372,942	1,588,597	1,546,883	1,037,264	1,924,413	1,177,321
Total Governmental Activities	5,528,684	4,600,527	6,442,997	5,493,990	4,094,629	5,432,607	4,719,523	3,750,625	3,949,886	3,048,850
Business-Type Activities:										
Charges for Services:										
Wastewater	6,466,704	6,290,503	6,325,719	6,280,877	6,027,344	6,043,445	6,251,954	6,180,360	5,934,888	6,349,506
Public Transportation	26,781	951	1,433	660	-	-	-	-	-	-
Operating Grants and Contributions	-	50,752	51,874	49,400	46,400	-	-	-	-	-
Capital Grants and Contributions	1,089,736	2,868,296	1,989,043	669,521	1,425,829	1,074,988	573,380	523,013	1,167,388	-
Total Business-Type Activities	7,583,221	9,210,502	8,368,069	7,000,548	7,499,573	7,118,433	6,825,334	6,703,373	7,102,276	6,349,506
Total Primary Government	\$ 13,111,905	\$ 13,811,029	\$ 14,811,066	\$ 12,494,538	\$ 11,594,202	\$ 12,551,040	\$ 11,544,857	\$ 10,453,998	\$ 11,052,162	\$ 9,398,356

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

	Fiscal Year									
	2025	2024	2023	2022	(Restated) 2021	(Restated) 2020	2019	(Restated) 2018	(Restated) 2017	(Restated) 2016
Net (Expense) Revenue										
Governmental Activities	\$ (29,845,329)	\$ (25,774,800)	\$ (22,924,747)	\$ (19,967,111)	\$ (18,917,650)	\$ (17,639,111)	\$ (16,502,710)	\$ (17,528,005)	\$ (16,531,208)	\$ (14,359,838)
Business-Type Activities	(4,617,066)	(2,068,271)	(2,607,698)	(2,706,797)	(1,461,352)	(1,198,515)	(1,866,153)	(1,513,837)	(488,384)	(1,045,053)
Total Primary Government Net Expense	(34,462,395)	(27,843,071)	(25,532,445)	(22,673,908)	(20,379,002)	(18,837,626)	(18,368,863)	(19,041,842)	(17,019,592)	(15,404,891)
General Revenues and Transfers										
Governmental Activities:										
Taxes:										
Sales Taxes	43,830,305	42,800,745	40,327,787	41,626,941	35,035,221	24,329,794	26,180,070	22,795,216	19,983,931	18,004,940
Franchise Taxes	937,111	932,754	913,690	883,545	883,456	809,673	807,465	813,573	786,882	789,754
In-Lieu Taxes	730,391	709,434	704,944	687,098	878,659	670,736	655,721	643,087	630,532	622,224
Unrestricted State Income Tax Revenue Sharing	2,097,434	2,602,748	1,852,056	1,289,131	1,477,587	1,336,465	1,251,688	1,287,767	1,270,897	1,207,731
Unrestricted State Sales Tax Revenue Sharing	1,505,582	1,477,844	1,443,176	1,374,160	1,199,926	1,067,529	1,039,635	998,202	950,879	948,696
Unrestricted Auto Lieu Tax Revenue Sharing	810,407	751,794	730,999	772,587	795,420	664,581	662,935	642,895	606,030	577,681
Investment Earnings (Loss)	4,003,806	3,946,649	1,240,236	(1,909,427)	193,365	815,918	1,003,210	99,315	159,363	307,030
Proceeds from Sale of Capital Assets	2,222,957	-	-	-	-	-	-	-	-	11,806
Other Revenues	111,205	330,394	170,644	455,738	244,604	194,965	87,431	70,639	107,960	78,629
Transfers	(7,741,619)	(6,554,824)	(14,581,301)	(4,622,651)	(3,420,194)	(3,447,000)	(4,599,709)	(4,351,138)	(4,038,211)	(4,497,550)
Total Governmental Activities General Revenues and Transfers	48,507,579	46,997,538	32,802,231	40,557,122	37,288,044	26,442,661	27,088,446	22,999,556	20,458,263	18,050,941
Business-Type Activities:										
Investment Earnings	1,279,495	1,516,139	390,441	(565,765)	81,729	435,820	620,971	100,891	78,287	179,734
Other Revenues	54,827	47,438	13,872	12,530	16,312	13,128	18,207	391,650	13,116	-
Transfers	7,741,619	6,554,824	14,581,301	4,622,651	3,420,194	3,447,000	4,599,709	4,351,138	4,038,211	4,497,550
Total Business-Type Activities General Revenues and Transfers	9,075,941	8,118,401	14,985,614	4,069,416	3,518,235	3,895,948	5,238,887	4,843,679	4,129,614	4,677,284
Total Primary Government General Revenues and Transfers	<u>\$ 57,583,520</u>	<u>\$ 55,115,939</u>	<u>\$ 47,787,845</u>	<u>\$ 44,626,538</u>	<u>\$ 40,806,279</u>	<u>\$ 30,338,609</u>	<u>\$ 32,327,333</u>	<u>\$ 27,843,235</u>	<u>\$ 24,587,877</u>	<u>\$ 22,728,225</u>
Change in Net Position										
Governmental Activities	\$ 18,662,250	\$ 21,222,738	\$ 9,877,484	\$ 20,590,011	\$ 18,370,394	\$ 8,803,550	\$ 10,585,736	\$ 5,471,551	\$ 3,927,055	\$ 3,691,103
Business-Type Activities	4,458,875	6,050,130	12,377,916	1,362,619	2,056,883	2,697,433	3,372,734	3,329,842	3,641,230	3,632,231
Total Primary Government Net Change in Net Position	<u>\$ 23,121,125</u>	<u>\$ 27,272,868</u>	<u>\$ 22,255,400</u>	<u>\$ 21,952,630</u>	<u>\$ 20,427,277</u>	<u>\$ 14,199,506</u>	<u>\$ 13,958,470</u>	<u>\$ 8,801,393</u>	<u>\$ 7,568,285</u>	<u>\$ 7,322,334</u>

CITY OF SEDONA, ARIZONA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General Fund:										
Nonspendable	\$ 2,540,259	\$ 2,049,914	\$ 2,039,153	\$ 1,831,847	\$ 14,857	\$ 29,826	\$ 11,683	\$ 15,604	\$ 15,409	\$ 86,203
Restricted	137,186	125,842	200,310	106,653	1,085,384	943,286	95,416	86,591	81,828	77,855
Committed	41,446	7,263	2,803,153	1,189,469	201,446	1,403,370	1,619,954	701,913	421,696	389,240
Assigned	19,857,421	20,588,570	16,265,044	21,255,873	6,357,618	1,232,035	2,195,394	2,032,174	2,018,050	1,585,000
Unassigned	21,794,223	19,160,519	13,490,819	15,742,856	18,354,731	11,983,669	9,454,072	6,915,095	8,491,539	7,611,935
Total General Fund	<u>\$ 44,370,535</u>	<u>\$ 41,932,108</u>	<u>\$ 34,798,479</u>	<u>\$ 40,126,698</u>	<u>\$ 26,014,036</u>	<u>\$ 15,592,186</u>	<u>\$ 13,376,519</u>	<u>\$ 9,751,377</u>	<u>\$ 11,028,522</u>	<u>\$ 9,750,233</u>
All Other Governmental Funds:										
Nonspendable	\$ 96,000	\$ 70,000	\$ 83,000	\$ 27,000	\$ -	\$ -	\$ -	\$ 1,575	\$ -	\$ 15,000
Restricted	916,882	1,742,343	22,558,680	22,970,916	2,940,319	3,628,879	3,667,645	3,252,827	4,472,637	6,321,238
Committed	289,439	5,493,109	8,024,711	8,699,010	6,955,128	7,095,543	4,180,816	1,147,912	11,268,308	9,692,916
Assigned	40,901,986	20,022,956	10,011,009	11,388,935	10,526,188	10,854,394	14,432,612	15,334,100	750,137	525,863
Unassigned	(2,128,724)	-	(740,558)	(568,381)	(5,109)	(1,447)	(39,141)	(31,246)	(54,281)	(36,684)
Total All Other Governmental Funds	<u>\$ 40,075,583</u>	<u>\$ 27,328,408</u>	<u>\$ 39,936,842</u>	<u>\$ 42,517,480</u>	<u>\$ 20,416,526</u>	<u>\$ 21,577,369</u>	<u>\$ 22,241,932</u>	<u>\$ 19,705,168</u>	<u>\$ 16,436,801</u>	<u>\$ 16,518,333</u>

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									
	2025	2024	2023	2022	(Restated) 2021	(Restated) 2020	2019	(Restated) 2018	(Restated) 2017	(Restated) 2016
Revenues										
Taxes	\$ 45,255,869	\$ 44,978,653	\$ 41,424,319	\$ 43,295,737	\$ 36,502,865	\$ 25,760,174	\$ 27,636,568	\$ 24,290,404	\$ 21,523,901	\$ 19,412,559
Licenses and Permits	745,895	639,214	598,810	469,115	385,953	311,569	380,721	455,498	475,216	496,517
Intergovernmental	7,030,704	6,715,747	7,660,251	5,833,967	4,991,137	6,107,232	4,887,798	4,935,807	4,831,007	4,505,596
Charges for Services	921,308	873,843	924,988	991,945	667,969	672,362	933,927	770,108	202,854	162,130
Fines and Forfeitures	658,649	533,983	443,377	272,365	386,317	196,524	227,761	249,893	140,840	147,984
Contributions	46,610	18,026	167,539	99,555	257,508	75,029	724,645	290,500	86,376	230,296
Impact Fees	390,623	544,991	571,198	396,257	659,553	478,597	292,546	207,076	618,741	231,772
Investment Earnings	3,873,588	3,946,649	1,224,169	(1,879,130)	190,188	803,048	995,455	99,675	159,363	307,030
Other Revenues	262,457	398,251	282,040	539,472	237,059	167,679	102,221	75,089	107,960	78,629
Total Revenues	59,185,703	58,649,357	53,296,691	50,019,283	44,278,549	34,572,214	36,181,644	31,374,050	28,146,258	25,572,513
Expenditures										
Current:										
General Government	4,156,706	4,145,275	3,697,035	2,982,746	2,433,781	2,591,128	2,860,186	2,703,709	5,760,492	6,179,381
Public Safety	10,480,805	14,871,604	9,935,724	8,225,368	7,343,573	7,384,219	7,051,249	6,854,047	4,972,449	4,198,335
Public Works and Streets	5,837,111	5,458,802	5,064,655	5,024,210	3,744,410	3,570,268	3,651,588	3,798,641	3,118,403	1,824,816
Culture and Recreation	4,156,526	3,602,813	2,903,698	2,551,427	2,088,486	2,277,298	2,354,627	2,293,792	1,820,211	1,769,992
Economic Development	2,094,824	1,070,294	1,706,862	2,175,706	2,969,238	2,611,622	2,426,505	2,368,755	2,261,269	1,336,234
Health and Welfare	768,391	748,000	1,426,191	993,494	667,398	602,680	493,249	251,997	-	-
Public Transportation	82,880	80,000	65,224	60,900	60,000	192,544	202,363	188,604	-	-
Housing	390,937	406,898	303,842	316,027	70,127	280,621	-	-	-	-
Sustainability	820,424	710,604	-	-	-	-	-	-	-	-
Debt Service:										
Principal Retirement	2,271,603	1,879,580	2,029,857	1,328,323	1,093,459	1,153,970	1,419,977	1,413,004	602,019	515,000
Interest and Fiscal Charges	2,642,734	1,553,843	1,380,927	484,868	146,572	187,221	208,035	234,775	222,266	153,842
Bond Issuance Costs	-	-	147,855	420,824	-	-	-	-	-	91,825
Capital Outlay	24,511,685	23,268,386	28,142,913	13,856,267	10,728,902	9,111,004	5,134,771	5,211,057	4,592,490	5,237,935
Total Expenditures	58,214,626	57,796,099	56,804,783	38,420,160	31,345,946	29,962,575	25,802,550	25,318,381	23,349,599	21,307,360
Excess (Deficiency) of Revenue Over Expenditures	971,077	853,258	(3,508,092)	11,599,123	12,932,603	4,609,639	10,377,665	6,055,669	4,796,659	4,265,153
Other Financing Sources (Uses)										
Transfers In	22,148,170	13,598,166	14,299,622	7,850,440	8,489,834	3,188,411	2,146,676	5,672,149	3,104,447	7,431,260
Transfers Out	(29,924,789)	(20,197,440)	(28,915,133)	(12,490,890)	(11,938,825)	(6,662,931)	(6,746,385)	(10,023,287)	(7,142,658)	(11,928,810)
Issuance of Long-Term Debt	19,768,187	271,211	10,197,944	28,182,099	735,350	373,112	373,498	268,509	438,309	8,030,000
Sale of Capital Assets	2,222,957	-	16,802	72,844	42,045	42,873	9,024	18,182	-	11,806
Payment to Escrow Agent	-	-	-	-	-	-	-	-	-	(7,934,739)
Total Other Financing Sources (Uses)	14,214,525	(6,328,063)	(4,400,765)	23,614,493	(2,671,596)	(3,058,535)	(4,217,187)	(4,064,447)	(3,599,902)	(4,390,483)
Net Change in Fund Balances	<u>\$ 15,185,602</u>	<u>\$ (5,474,805)</u>	<u>\$ (7,908,857)</u>	<u>\$ 35,213,616</u>	<u>\$ 10,261,007</u>	<u>\$ 1,551,104</u>	<u>\$ 6,161,906</u>	<u>\$ 1,991,222</u>	<u>\$ 1,196,757</u>	<u>\$ (125,330)</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>9.94%</u>	<u>9.94%</u>	<u>11.73%</u>	<u>7.27%</u>	<u>5.96%</u>	<u>6.35%</u>	<u>7.79%</u>	<u>8.14%</u>	<u>4.39%</u>	<u>4.20%</u>

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

CITY OF SEDONA, ARIZONA
GENERAL GOVERNMENT PRINCIPAL SALES TAX REMITTERS
CURRENT YEAR AND NINE YEARS AGO
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

Tax Payer	Fiscal Year 2025			Fiscal Year 2016		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Hotels and Other Lodging	\$ 18,933,711	1	43.32 %	\$ 5,619,566	2	31.20 %
Retail	11,101,471	2	25.40	5,552,335	1	30.83
Restaurants and Bars	6,523,407	3	14.92	2,829,511	3	15.71
Construction	2,479,633	4	5.67	1,058,689	5	5.88
Rental/Leasing/Licensing	2,343,213	5	5.36	1,465,258	4	8.14
All Other	1,457,929	6	3.34	887,701	7	4.93
Transportation/Communication/Utilities	868,852	7	1.99	596,887	6	3.31
Total	<u>\$ 43,708,216</u>		<u>100.00 %</u>	<u>\$ 18,009,948</u>		<u>100.00 %</u>

Source: Arizona Department of Revenue and Revenue Discovery Systems

Note: Due to confidentiality issues, the names of the ten largest tax remitters cannot be presented. The categories presented are intended to provide alternative information regarding the sources of the City's transaction privilege tax revenues.

**CITY OF SEDONA, ARIZONA
GENERAL GOVERNMENT TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Sales Taxes</u>	<u>Occupancy Taxes</u>	<u>Franchise Tax</u>	<u>Other Taxes (In Lieu)</u>	<u>Total</u>
2025	\$ 29,438,140	\$ 9,316,707	\$ 937,111	\$ 576,810	\$ 40,268,768
2024	28,123,000	9,079,000	862,800	1,100,000	39,164,800
2023	27,307,204	8,587,989	913,690	-	36,808,883
2022	28,156,541	8,942,766	883,545	527,178	38,510,030
2021	23,972,811	7,150,999	883,456	515,335	32,522,601
2020	20,119,581	4,160,184	809,673	670,736	25,760,174
2019	21,381,693	4,788,239	810,915	655,721	27,636,568
2018	18,393,517	4,431,680	822,122	643,086	24,290,405
2017	16,268,459	3,811,727	783,413	660,302	21,523,901
2016	14,999,612	3,010,334	781,223	621,390	19,412,559

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

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

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

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Sales Category:										
Construction	\$ 2,479,633	\$ 2,113,554	\$ 1,894,492	\$ 1,943,797	\$ 1,806,117	\$ 1,828,859	\$ 1,449,767	\$ 1,270,064	\$ 1,335,883	\$ 1,465,258
Transportation, Communication, and Utilities	868,852	825,019	815,536	767,611	789,032	731,516	718,813	584,656	571,822	596,888
Retail	11,101,471	10,872,594	10,805,316	11,134,346	9,816,161	7,208,267	7,104,613	6,185,202	5,632,490	5,552,332
Restaurants and Bars	6,523,407	6,372,092	6,017,287	6,072,766	5,217,637	3,711,859	4,366,956	3,859,442	3,268,739	2,829,512
Rental/Leasing/Licensing	2,343,213	2,167,790	1,986,469	2,011,477	1,840,313	1,553,226	1,621,589	1,396,438	1,302,833	1,058,690
Hotels and Other Lodging	18,933,711	18,930,830	17,397,904	18,124,683	14,459,426	8,352,702	9,628,166	8,484,719	7,057,005	5,619,566
All Other	1,457,929	1,500,416	1,442,855	1,640,377	1,041,101	893,336	1,280,028	1,044,676	911,414	887,700
Total	<u>\$ 43,708,216</u>	<u>\$ 42,782,295</u>	<u>\$ 40,359,859</u>	<u>\$ 41,695,057</u>	<u>\$ 34,969,787</u>	<u>\$ 24,279,765</u>	<u>\$ 26,169,932</u>	<u>\$ 22,825,197</u>	<u>\$ 20,080,186</u>	<u>\$ 18,009,946</u>
Direct Sales Tax Rate	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.00% through 2/28/18 3.50% starting 3/1/18	3.00%	3.00%	3.00%
Transient Lodging Tax	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%

Source: Arizona Department of Revenue and Revenue Discovery Systems

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

<u>Fiscal Year</u>	<u>City Direct Sales Tax Rate</u>	<u>Yavapai County</u>	<u>Coconino County</u>	<u>State of Arizona</u>
2025	3.50%	0.75%	1.300%	5.60%
2024	3.50%	0.75%	1.300%	5.60%
2023	3.50%	0.75%	1.300%	5.60%
2022	3.50%	0.75%	1.300%	5.60%
2021	3.50%	0.75%	1.300%	5.60%
2020	3.50%	0.75%	1.300%	5.60%
2019	0.035	0.75%	1.300%	5.60%
2018	3.00% through 2/28/18 3.50% through 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%

Source: Arizona Department of Revenue

**CITY OF SEDONA, ARIZONA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	Revenue Bonds	Financed Purchases	Leases and Installment Purchases	Revenue Bonds	Financed Purchases	Leases	Capital Appreciation Bond Interest			
2025	\$ 54,049,843	\$ 1,024,519	\$ 2,021,784	\$ 4,283,000	\$ 975,898	\$ 6,691	\$ -	\$ 62,361,735	11.30 %	\$ 6,206
2024	36,842,346	819,665	2,455,373	8,516,000	1,430,350	100,200	-	50,163,934	12.70	5,809
2023	38,812,903	971,420	2,430,686	9,773,000	1,796,880	122,720	2,963,027	56,870,636	12.70	5,809
2022	30,268,903	1,216,264	2,576,968	11,088,000	710,125	1,670,600	5,660,018	53,190,878	6.65	5,533
2021	5,765,000	-	1,265,613	12,400,416	-	20,000	8,096,607	27,547,636	5.59	2,845
2020	6,665,000	-	723,721	13,816,499	-	28,021	10,273,769	31,507,010	6.91	3,054
2019	7,550,000	-	619,579	15,302,582	-	-	12,189,283	35,661,444	8.15	3,451
2018	8,790,000	-	426,058	19,388,665	-	-	11,259,315	39,864,038	9.23	3,790
2017	10,025,000	-	320,990	23,394,748	-	-	10,376,075	44,116,813	10.01	4,245
2016	10,509,700	-	-	28,072,186	-	-	9,537,228	48,119,114	9.24	4,123

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

CITY OF SEDONA, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
YEAR ENDED JUNE 30, 2025
(UNAUDITED)

Governmental Unit	Outstanding Debt ⁽¹⁾	Estimated Percentage Applicable ⁽²⁾	Estimated Share of Overlapping Debt
Coconino County	\$ 93,830,000	7.16 %	\$ 6,718,228
Yavapai County	-	7.62	-
Coconino County Community College District	-	7.16	-
Yavapai County Community College District	2,360,000	7.62	179,832
Sedona Oak Creek Unified S.D. No 9	20,205,000	50.61	10,225,751
Sedona Fire District	-	50.39	-
Total Overlapping Debt			17,123,811
City of Sedona	57,096,146	100.00	57,096,146
Total Direct and Overlapping Debt			<u>\$ 74,219,957</u>

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

- (1) Includes general obligation bonds outstanding. The City of Sedona does not have any general obligation bonds.
(2) Proportion applicable to the City of Sedona, Arizona, is computed on the ratio of secondary assessed valuation for 2025 calendar year.

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

Fiscal Year	Excise Tax Revenue Bonds					Coverage
	Excise Tax Revenues	Principal	Interest	Total		
2025	\$ 42,873,150	\$ 5,828,000	\$ 2,246,866	\$ 8,074,866	5.31	
2024	42,873,150	5,735,000	2,267,800	8,002,800	5.36	
2023	41,132,056	2,919,000	4,789,063	7,708,063	5.34	
2022	41,602,158	2,297,000	3,272,195	5,569,195	7.47	
2021	35,125,807	2,230,000	3,487,076	5,717,076	6.14	
2020	25,742,670	2,285,000	3,434,245	5,719,245	4.50	
2019	27,603,656	5,240,000	611,587	5,851,587	4.72	
2018	26,116,973	5,155,000	695,923	5,850,923	4.46	
2017	23,808,679	5,050,000	791,691	5,841,691	4.08	
2016	21,708,599	5,260,000	808,167	6,068,167	3.58	

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									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Coconino County	\$ 164,806,533	\$ 154,984,756	\$ 199,181,720	\$ 164,170,951	\$ 157,660,199	\$ 152,107,576	\$ 141,743,200	\$ 138,333,198	\$ 134,528,591	\$ 125,045,612
Yavapai County	307,128,151	291,479,385	277,641,635	263,431,792	249,436,409	286,913,435	253,159,989	238,835,422	227,245,423	191,649,855
Total Assessed Valuation	<u>\$ 471,934,684</u>	<u>\$ 446,464,141</u>	<u>\$ 476,823,355</u>	<u>\$ 427,602,743</u>	<u>\$ 407,096,608</u>	<u>\$ 439,021,011</u>	<u>\$ 394,903,189</u>	<u>\$ 377,168,620</u>	<u>\$ 361,774,014</u>	<u>\$ 316,695,467</u>
<u>20% Limitation</u>										
Debt Limit Equal to 20% of Assessed Valuation	\$ 94,386,937	\$ 89,292,828	\$ 95,364,671	\$ 85,520,549	\$ 81,419,322	\$ 87,804,202	\$ 78,980,638	\$ 75,433,724	\$ 72,354,803	\$ 63,339,093
Total Net Debt Applicable to 20% Limit	-	-	-	-	-	-	-	-	-	-
Legal 20% Debt Margin	<u>\$ 94,386,937</u>	<u>\$ 89,292,828</u>	<u>\$ 95,364,671</u>	<u>\$ 85,520,549</u>	<u>\$ 81,419,322</u>	<u>\$ 87,804,202</u>	<u>\$ 78,980,638</u>	<u>\$ 75,433,724</u>	<u>\$ 72,354,803</u>	<u>\$ 63,339,093</u>
<u>6% Limitation</u>										
Debt Limit Equal to 6% of Assessed Valuation	\$ 28,316,081	\$ 26,787,848	\$ 28,609,401	\$ 25,656,165	\$ 24,425,796	\$ 26,341,261	\$ 23,694,191	\$ 22,630,117	\$ 21,706,441	\$ 19,001,728
Total Net Debt Applicable to 6% Limit	-	-	-	-	-	-	-	-	-	-
Legal 6% Debt Margin	<u>\$ 28,316,081</u>	<u>\$ 26,787,848</u>	<u>\$ 28,609,401</u>	<u>\$ 25,656,165</u>	<u>\$ 24,425,796</u>	<u>\$ 26,341,261</u>	<u>\$ 23,694,191</u>	<u>\$ 22,630,117</u>	<u>\$ 21,706,441</u>	<u>\$ 19,001,728</u>

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**

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capital Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Yavapai County Unemployment Rate</u>
2025	9,778	\$ 584,831,958	\$ 59,811	59.0	748	4.20 %
2024	9,819	488,996,019	49,801	61.1	908	4.40
2023	9,790	447,951,240	45,756	58.5	1,606	3.50
2022	9,614	410,431,274	42,691	59.8	1,484	3.40
2021	9,684	493,000,893	47,509	61.2	903	6.10
2020	9,684	427,906,908	44,187	59.4	916	9.20
2019	10,335	437,315,190	42,314	58.7	1,023	4.90
2018	10,336	424,220,448	41,043	58.3	1,007	4.40
2017	10,397	440,708,036	42,388	57.9	989	4.70
2016	10,388	440,326,544	42,388	58.0	1,097	5.00

Sources: U.S. Census.gov, Bureau of Labor Statistics, Sedona Oak Creek School District, Sedona Charter School, and Sedona Montessori School

**CITY OF SEDONA, ARIZONA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)**

Employer	2025			2016		
	Employees ⁽¹⁾	Rank	Percentage of Total Employment	Employees ⁽¹⁾	Rank	Percentage of Total Employment
Enchantment Resorts (Location Outside of City)	473	1	7.5 %	530	1	10.9 %
L'Auberge de Sedona Resort	300	2	4.8	323	2	6.7
Hilton Sedona Resort at Bell Rock (Location Outside of City)	227	3	3.6	176	4	3.6
Orchards Inn	220	4	3.5	-	-	
City of Sedona	178	5	2.8	102	8	2.1
Red Mountain Sedona	147	6	2.3	-	-	
Arizona Elder Care	120	7	1.9	-	-	
Villas at Poco Diablo	108	8	1.7	-	-	
Sedona/Oak Creek School District	97	9	1.5	184	3	3.8
Verde Valley Medical Center/Sedona Emergency Department	92	10	1.5	-	-	
Pink Jeep Tours	-	-		175	5	3.6
Los Abrigados	-	-		123	7	2.5
Sedona Rouge	-	-		128	6	2.6
Sunterra Resort	-	-		99	9	2.0
Radisson Resort	-	-				
Total	<u>1,962</u>		<u>31.1 %</u>	<u>1,840</u>		<u>40.1 %</u>

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

(1) Principal employers include the City of Sedona and surrounding region.

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

Function	Budgeted Positions									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
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	28.05	29.0	22.7	19.4	19.3	19.2	18.8	18.8	18.2	17.6
Finance	11.0	11.5	11.2	10.0	8.7	8.7	8.2	8.2	8.2	8.0
Community Development	13.1	13.1	7.7	6.4	6.7	6.7	7.3	6.5	6.6	9.6
Facilities Maintenance	17.0	17.0	5.6	4.8	3.6	3.8	1.8	1.6	1.6	2.4
Court	7.3	6.3	5.8	5.5	5.5	4.7	4.7	4.3	4.3	3.7
Public Safety:										
Building Safety	1.0	1.0	4.8	4.8	4.0	3.7	3.2	4.7	4.8	2.1
Code Enforcement	1.0	1.0	2.4	2.3	2.2	2.2	2.5	2.4	2.3	2.0
Police - Sworn	30.0	30.0	31.7	29.0	27.0	27.0	27.0	27.0	27.0	27.0
Police - Civilian	20.0	20.0	15.9	17.6	16.6	16.6	15.6	15.6	15.6	14.4
Public Works:										
Engineering and Project Management	17.0	17.0	12.7	12.6	11.6	11.7	11.7	11.1	12.3	7.0
Other	4.9	4.8	11.8	11.0	9.9	9.3	9.5	8.3	4.5	4.3
Culture and Recreation:										
Parks and Recreation	9.0	9.0	14.7	14.4	12.9	13.4	12.6	12.5	11.0	15.2
Arts and Culture	1.0	1.0	1.0	1.0	0.8	0.8	0.8	0.8	0.8	0.8
Historic Preservation	-	-	-	-	-	0.3	0.4	0.5	0.4	-
Economic Development	-	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Health and Welfare	3.0	3.0	3.0	2.0	1.0	1.0	1.0	-	-	-
Public Transportation	1.5	1.5	1.5	1.0	1.0	1.0	-	-	-	-
Housing	2.0	2.0	2.0	1.0	1.0	-	-	-	-	-
Wastewater	15.0	15.0	15.0	13.0	13.0	13.0	12.0	12.0	10.6	10.6
Total	<u>188.9</u>	<u>189.2</u>	<u>177.5</u>	<u>163.8</u>	<u>152.8</u>	<u>151.1</u>	<u>145.1</u>	<u>142.3</u>	<u>136.2</u>	<u>132.7</u>

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

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

Function	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General Government:										
Building Permits Issued	535	533	596	734	575	542	512	557	646	617
Building Inspections Conducted	3,091	2,948	4,466	4,485	4,398	3,515	3,954	2,899	1,889	1,733
Police:										
Physical Arrests	398	381	381	268	283	340	301	391	464	383
Parking Violations	4,900	2,962	2,148	1,725	3,336	2,350	2,568	2,819	728	737
Traffic Violations	2,165	1,698	N/A	N/A	N/A	N/A	N/A	N/A	2,011	3,553
Traffic Stops	4,502	4,465	3,851	3,343	3,582	3,659	4,269	5173	N/A	N/A
Public Works:										
Street Resurfacing (Miles)	7.6	7.4	7.5	4.8	4.1	5.5	4.3	5.9	6.5	2.4
Right-of-Way Permits Issued	203	191	242	148	105	126	239	198	184	194
Wastewater:										
Average Daily Sewage Treatment (Millions of Gallons)	1.1	1.2	1.2	1.2	1.2	1.1	1.1	1.2	1.1	1.1

Source: City of Sedona, Arizona

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

Function	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Resource Centers	-	-	1	1	1	-	-	-	-	-
Patrol Units	30	29	18	18	18	17	17	19	19	16
Public Works:										
Streets (Miles)	93.5	93.5	93.5	92.9	92.6	92.6	92.6	92.6	92.6	92.6
Highways (Miles)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Streetlights	155	155	155	155	155	149	149	149	149	147
Parks and Recreation:										
Acreage	123	123	123	123	123	123	123	123	123	123
Playgrounds	3	3	3	3	3	3	3	3	3	3
Baseball and Softball										
Diamonds	2	2	2	2	2	2	2	2	2	2
Football and Soccer Fields	1	1	1	1	1	1	1	1	1	1
Water:										
Fire Hydrants	659	659	659	659	659	659	659	659	659	659
Wastewater:										
Sanitary Sewers (Miles)	110	110	110	110	110	110	110	110	110	110
Treatment Capacity (Millions of Gallons)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0

Source: City of Sedona, Arizona



Honorable Mayor and 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 City of Sedona, Arizona as of and for the year ended June 30, 2025, and have issued our report thereon dated February 25, 2026. 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 February 7, 2025. 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 City of Sedona, Arizona are described in Note 1 to the financial statements.

As described in Note 1, the entity changed accounting policies related to compensated absences by adopting Statement of Governmental Accounting Standards Board (GASB Statement) No. 101, *Compensated Absences*, in 2025.

We noted no transactions entered into by the entity 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. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

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 has determined that the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following summarizes uncorrected misstatements of the financial statements:

- The City overstated expenses and understated cash in the prior year for the General Fund and governmental activities due to an error and duplication in the indirect cost allocation charges totaling \$430,600. A correction was not made to the beginning fund balance or net position in the current fiscal year and was adjusted through current year expenses.

Uncorrected misstatements or the matters underlying uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if management has concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

Corrected misstatements

The following material and immaterial misstatements detected as a result of audit procedures were corrected by management:

- Through audit procedures determined the City's net investment in capital assets for governmental activities was overstated by \$4,282,499 because of improperly adding in restricted assets held in the Wastewater proprietary fund. Therefore, CLA proposed a correcting entry to decrease the net investment in capital assets net position for the aforementioned amount.

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 February 25, 2026.

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 entity'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 entity'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 as a whole

With respect to the combining and individual 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 February 25, 2026.

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

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 opinions 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.

* * *

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Tempe, Arizona
February 25, 2026



City of Sedona, Arizona Audit for the Fiscal Year Ended June 30, 2025

Jean Marie Dietrich
Principal
February 26, 2026

WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth
Advisors, LLC, an SEC-registered investment advisor
Packet Page 168

What is an Audit?

Examine and verify
management's
assertions...provide
an opinion

Includes findings &
recommendations

Auditors evaluate
risk

Auditors work for
and should
communicate results
to the governing
board (City Council)



The Reporting Package/ Deliverables

1. Communication to Governance

2. Annual Comprehensive Financial Report (ACFR) – Includes audit opinion

3. *Government Auditing Standards* Report

3. Single Audit Report (including the Report on Major Federal Programs and the Schedule of Federal Expenditures)

4. HURF Examination Report – pending finalization

5. Expenditure Limitation Report – pending finalization



Governance Communication

Overview of audit

- Accounting policies:
 - Adoption of GASB 101, *Compensated Absences*
- Accounting estimates
- Corrected misstatements
 - Net investment in capital assets adjustment to government-wide for restricted assets correction
- Uncorrected misstatements
 - Prior year indirect cost calculations in the General Fund
- No Difficulties, No unusual transactions



Annual Comprehensive Financial Report (ACFR)

Components of the ACFR

- Basic financial statement (audit opinion)
- Combining and individual fund financial statements and schedules (“in-relation-to” opinion)
- Required supplementary information, statistics section, and introductory section (Disclaimer)

We rendered an Unmodified (“Clean”) Opinion on the Financial Statements



Single Audit Results at a Glance

- Government Auditing Standards*
 - No material weaknesses or significant deficiencies in internal control.
 - Unmodified (“clean” opinion)
- Uniform Guidance
 - No material weaknesses in internal controls over compliance. No matters of noncompliance. Three significant deficiency findings regarding formal documentation of approval retained over matching requirement, reporting, and suspension and debarment check of vendor prior to contract execution.
- Major Programs Tested
 - Covid-19 Coronavirus State and Local Fiscal Recovery Funds: 21.027
 - Total Expenditures Tested: \$1,217,000 (93%)
 - Total Federal Expenditures: \$1,312,880





Thank You!

Jean Marie Dietrich, CPA
Principal
Jean.Dietrich@claconnect.com

WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth
Advisors, LLC, an SEC-registered investment advisor

Packet Page 174



CITY COUNCIL AGENDA BILL

AB 3314
March 10, 2026
Regular Business

Agenda Item: 9c

Proposed Action & Subject: Discussion/presentation/possible direction regarding streets in the City's right-of-way not currently maintained by the City.

Department	Public Works, Jon Ebers
Time to Present	20 Minutes
Total Time for Item	120 Minutes
Other Council Meetings	December 18, 2025; February, 10 2026
Exhibits	Exh A. Aspen Rd Exh B. Cline Rd & Soldier Pass Rd Exh C. Goodrow Ln - Schimberg Rd-Finke Dr Exh D. Grasshopper Ln and Little Elf Way Exh E. Unnamed -105 Schnebly Hill Rd Exh F. Unnamed - 365 Andante Dr

Finance Approval	Reviewed 02/25/26 BGW	
City Attorney Approval	Reviewed 3/4/26 KWC	Expenditure Required
		\$ 0
City Manager's Recommendation	Provide direction to staff 03/4/26 ABS	Amount Budgeted
		\$ 0
		Account No. (Description)

SUMMARY STATEMENT

This agenda item provides an overview of certain public rights-of-way within the City that have historically been privately maintained, along with related considerations for when and how the City may assume maintenance responsibility. The discussion will distinguish between (1) existing public roads that are not currently maintained by the City and (2) private roads that may seek dedication and acceptance as public streets under City Code. Council direction is requested regarding whether to maintain current practice for public but privately maintained roads or consider development of a formal policy addressing that scenario.

Background: Council requested that staff present information regarding certain public rights-of-way within the City limits that have historically been privately maintained and evaluate considerations associated with bringing those road segments into the City's maintained street system.

Historical Context

Many of the road segments identified were originally platted and dedicated under Yavapai County or Coconino County jurisdiction prior to incorporation of the City of Sedona in 1988. Both counties maintain formal road inventories and provide maintenance only on those roadways classified as “county maintained roads,” consistent with Arizona statutes governing the use of Highway User Revenue Funds (HURF). In FY25 the city received \$1.103Million in HURF funding. Our FY25 street rehabilitation and preservation actual expense was \$1.2Million. Adding non-HURF eligible street segments to our inventory will require general fund subsidy.

Public rights-of-way that have not been constructed to adopted roadway design standards are generally not added to the maintained inventory. Where roadway upgrades are desired, counties require that improvements meet current design standards prior to adoption for maintenance. In many cases, such improvements are funded by adjacent property owners or through the formation of improvement districts.

At incorporation, the City assumed maintenance responsibility for designated roadways and continued the practice of maintaining those streets formally placed on its maintained streets list. Certain legacy public rights-of-way that were not constructed to adopted standards have remained outside the City’s maintained streets list unless capital improvements were completed.

Historic Lot Splitting and Incremental Development

In some cases, roadway segments that remain outside the City’s maintained streets list developed incrementally through individual lot splits or other historical land divisions that did not occur through the formal subdivision process. Prior to incorporation and in earlier decades of development in Arizona, land could be divided into smaller parcels through successive lot splits without triggering subdivision requirements.

State policy discussions often refer to situations where land is divided in a manner intended to avoid the formal subdivision process as “wildcat” development. These situations can occur when multiple adjacent parcels are created over time without coordinated planning, infrastructure design, or roadway construction to adopted standards. While some lot splitting is permitted under Arizona law, incremental parcel divisions can result in roadway networks that were never constructed to public roadway standards.

As a result, some publicly dedicated rights-of-way within Sedona were established without the level of roadway design, drainage infrastructure, or right-of-way dedication typically required through modern subdivision review processes. These historic development patterns contribute to the circumstances where certain public rights-of-way exist today but were never constructed to standards that would allow them to be placed on a publicly maintained street system.

These historical development patterns help explain why certain public rights-of-way exist today that were never constructed to standards typically required for inclusion on a publicly maintained street system.

Two Distinct Scenarios

There are two legally distinct scenarios relevant to this discussion:

Scenario 1: Public Rights-of-Way Not Currently Maintained by the City

The City of Sedona has just over one (1) mile of publicly dedicated rights-of-way that are not currently included on the City's maintained streets list. Although these roadways are public, maintenance has historically been performed by adjacent property owners.

There is currently no specific ordinance or adopted policy that defines the criteria under which the City may elect to assume maintenance responsibility for public roads that it has not previously maintained. Maintenance of City streets is guided by an annually updated maintained streets list pursuant to City Code §12.05.130(B)(1).

The following Streets are known to be public and not maintained by the city:

- Goodrow Lane
- Schimberg Road
- Finke Drive
- Unnamed road near 105 Schnebly Hill Road
- Unnamed road near 1015 Soldier Pass Rd
- Cline Rd
- Unnamed road near address 365 Andante Dr
- Aspen Road
- Grasshopper Lane (recently improved and added to the City's maintained streets list)
- Little Elf Way

Staff has reviewed these segments and identified engineering, financial, and policy considerations associated with potential assumption of maintenance responsibility.

Goodrow Lane, Schimberg Road, and Finke Drive

These roadways collectively serve 28 properties and have varying right-of-way widths. Preliminary review indicates that improvements to achieve even a minimal 16-foot travel width with five-foot shoulders would require roadway widening, grading, and drainage improvements. Order-of-magnitude costs are under development and would not include potential relocation of utilities.

The road dedication for Goodrow Lane, Finke Drive and Schimberg Drive were accepted by Yavapai Board of Supervisors on February 1st, 1971, with the following statement "The roads dedicated herein will not be maintained by Yavapai County until improved to County Standards for both Right of Way and Construction". See below

ACCEPTED by YAVAPAI COUNTY BOARD OF
SUPERVISORS this 1st day of Nov. 1972.

The roads dedicated herein will not be main-
tained by Yavapai County until improved to County
Standards for both Right of Way and Construction.

By: [Signature]
Chairman

Attest: [Signature]
Clerk
SEAL

Goodrow Lane Dedication

Improvement to full City standards (including 12-foot lanes, sidewalks, curb and gutter, drainage facilities, and 50-foot right-of-way dedication where necessary) would require significant reconstruction, potential utility relocation, storm drainage infrastructure, and possible slope easements or retaining walls.

Connectivity improvements to Contractors Road or Yavapai Drive are not included in these estimates and may require additional right-of-way acquisition and property impacts.

Unnamed Road near 105 Schnebly Hill Road

This segment serves three parcels. Staff is verifying right-of-way status. If confirmed as public, staff recommends Council consider whether abandonment to adjacent property owners may be appropriate due to limited public benefit and minimal connectivity.

Cline Road

Cline Road has historically been privately maintained. Due to drainage concerns, the City previously performed limited work and applied chipseal to reduce recurring maintenance needs. The roadway remains substandard relative to City standards. Full improvement would require additional structural section, potential drainage improvements, and reconstruction.

The dedication of Cline Road was accepted by the Yavapai County Board of Supervisors in November 1972 with the following statement, "The road dedicated on this plat will not be accepted for maintenance by Yavapai County until it is brought to minimum County Standards". See below:

APPROVALS-

Approved by the Yavapai County Board of Supervisors this 11th day of November, 1972.

By: [Signature]
Chairman

Attest: [Signature]
Clerk

Approved by the Yavapai County Engineer on this 11th day of November, 1972.

[Signature]
County Engineer

Note: The road dedicated on this plat will not be accepted for maintenance by Yavapai County until it is brought to minimum County Standards.

[Signature]
County Engineer.

Cline Road Dedication

Unnamed Road near 365 Andante Drive

This roadway serves three developed and three undeveloped parcels. Council may consider whether public maintenance serves a broader community benefit or whether abandonment or continued private maintenance is appropriate.

Aspen Road

Aspen Road is a short alley adjacent to a City-leased parking lot and commercial properties. Improvements could potentially provide operational or public parking benefit. Staff recommends further evaluation of paving and circulation modifications if Council desires.

Little Elf Way

An undeveloped roadway segment could potentially connect to Grasshopper Lane. Currently this street serves access to two parcels. However, it can provide access including emergency and evacuation to the Grasshopper Lane area. Improvement would require additional right-of-way acquisition and further engineering analysis.

Broader Inventory Considerations

Staff has also reviewed the approximate mileage of private roads within the City, including those located within gated communities and private developments. Staff estimates that approximately five (5) miles of private streets exist within the City. In addition, approximately 1.1 miles of publicly dedicated rights-of-way exist within City limits that are not currently included on the City's maintained streets list.

From time to time, residents on private streets have inquired about the possibility of the City accepting their streets for public maintenance. When the City's roadway design standards and code requirements for dedication and acceptance are explained, including requirements for right-of-way width, roadway construction, and drainage improvements, no formal applications for dedication have been submitted.

Acceptance of additional roadway mileage into the City's maintained streets list would increase long-term pavement preservation responsibilities, drainage system obligations, and lifecycle replacement costs. No formal applications have been submitted under existing code provisions for private street dedication at this time.

Policy Direction Options – Public but Privately Maintained Roads

If Council wishes to consider assumption of maintenance responsibility for any of the identified public rights-of-way, two general approaches could be considered:

Option 1 – Full Upgrade to Current City Standards

Under this approach, roadways would be reconstructed to meet current City design standards, similar to requirements applicable to private roads seeking dedication under §12.05.130. Improvements may include:

- Dedication of sufficient right-of-way (generally 50 feet)
- 12-foot travel lanes
- Sidewalks or shoulders
- Curb and gutter
- Storm drainage infrastructure
- Utility relocation as necessary

This approach would result in long-term consistency with City standards but would involve significant capital investment and potential right-of-way acquisition.

Option 2 – Targeted Safety Improvements Prior to Maintenance Assumption

Alternatively, Council could consider adoption of a more limited standard focused on life-safety and emergency access. Improvements under this approach may include:

- Widening to meet minimum emergency access standards
- Spot realignment to address sight-distance deficiencies
- Addition of signage, striping, and traffic control devices
- Drainage corrections necessary for roadway stability

This approach would prioritize safety and emergency access while reducing initial capital cost compared to full reconstruction. However, the roadways would remain below full City urban design standards and may require future evaluation if redevelopment or increased traffic volumes occur.

Council direction may include maintaining current practice, establishing formal criteria for future consideration, or directing staff to further evaluate specific road segments.

Cost Considerations and Funding Options

Assumption of maintenance responsibility for public rights-of-way not currently maintained by the City would result in both initial capital costs and ongoing lifecycle maintenance obligations.

The magnitude of cost would vary significantly depending on the level of improvement directed by Council.

Preliminary order-of-magnitude estimates were developed using Job Order Contracting (JOC) unit pricing for representative roadway segments. These estimates are intended for general comparison purposes only and would require further engineering analysis if specific projects were pursued.

Examples of Rough Order-of-Magnitude Cost Estimates

	<u>Aspen</u>				<u>Cline</u>				<u>Goodrow</u>		
	Min		Max		Min		Max		Min		Max
Option 1	N/A		N/A	\$	2,000,000	\$	4,000,000	\$	2,000,000	\$	4,000,000
Option 2	\$ 50,000	\$	120,000	\$	500	\$	1,500,000	\$	500	\$	1,500,000

Initial Capital Improvements

Option 1 – Full Upgrade to Current City Standards

This approach would involve substantial reconstruction, potential right-of-way dedication or acquisition, drainage infrastructure, utility relocation, and compliance with current roadway design standards. Costs could be significant and would likely require formal capital improvement programming.

Option 2 – Targeted Safety Improvements

This approach would focus on emergency access, sight distance corrections, signage, striping, and drainage stabilization. Capital costs would be substantially lower than full reconstruction but would still require engineering design, construction, and inspection.

However, the roadways would remain below full City urban design standards and may require future evaluation if redevelopment or increased traffic volumes occur. Adoption of a limited safety improvement approach would not modify or waive the City's adopted roadway design standards for future development or reconstruction.

Option 1 assumes reconstruction to current City roadway standards, including potential widening, drainage improvements, structural pavement section upgrades, and possible utility relocation. Option 2 assumes a more limited approach focused on safety improvements such as widening for emergency access, limited realignment, drainage corrections, and installation of signage, striping, or traffic control devices.

Based on preliminary planning assumptions, improvements to roughly 3,500 linear feet of roadway across representative segments such as Aspen Road, Cline Road, Goodrow Lane, Grasshopper Lane, and Little Elf Way could result in capital costs on the order of \$15 million under Option 1 (full reconstruction to City standards) or \$6 million under Option 2 (targeted safety improvements). These estimates are conceptual planning-level figures and would require detailed engineering analysis and design to refine.

Ongoing Maintenance Obligations

If these road segments were added to the City's maintained streets list, they would become part of the City's long-term pavement preservation and rehabilitation program.

The City currently invests approximately \$1.2 million annually in roadway rehabilitation and preservation, addressing roughly five (5) miles of roadway per year. Based on this investment level, adding approximately 1.1 miles of roadway to the City's maintained streets list would represent an estimated \$660,000 in additional lifecycle rehabilitation costs over the current 20-year pavement lifecycle, equating to approximately \$33,000 per year in additional long-term roadway maintenance costs.

Potential Funding Approaches

Council may consider several funding models if maintenance responsibility is assumed:

1. **Citywide Funding**
Improvements and future maintenance funded through existing transportation or general fund allocations.
2. **Adjacent Property Owner Funding**
Improvements funded by benefiting property owners, consistent with historical county practice.
3. **Cost-Sharing Model**
A shared funding approach between the City and benefiting property owners.
4. **Improvement District Formation**
Formation of a formal improvement district to assess benefiting properties for capital improvements.

Each funding model reflects a different policy determination regarding community-wide versus localized benefit.

Scenario 2: Private Roads Seeking Dedication and Acceptance

Private roads seeking dedication and acceptance as public streets are governed by Sedona City Code §12.05.130. The Code establishes criteria including right-of-way width, minimum parcel thresholds, connectivity requirements, and engineering review.

Acceptance of any private roadway remains at the discretion of the City Council. The Code does not obligate the City to accept any private street offered for dedication.

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

Board/Commission Recommendation: ☐ Applicable - ☒ Not Applicable

Alternative(s):

Council may choose to:

- Direct staff to maintain current practice.
- Direct staff to develop formal criteria governing future consideration of publicly dedicated but privately maintained roads.

- Direct staff to evaluate one or more specific road segments for improvement district formation.
- Direct staff to evaluate one or more specific road segments for improvements and maintenance fully subsidized by the city general fund and bring a decision package forward for council
- Direct staff to initiate abandonment proceedings for specific segments, if appropriate.
- Direct staff to prepare detailed cost estimates for selected segments.
- Ask staff for additional information and continue the discussion at a future meeting.

MOTION

I move to: For direction only.

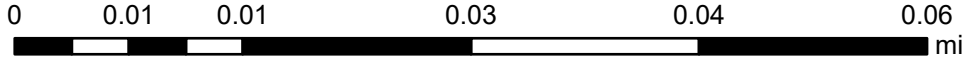


City of Sedona, Arizona



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- City Boundary
- STREET CENTERLINE
- PARCEL BOUNDARY

- FOREST RD
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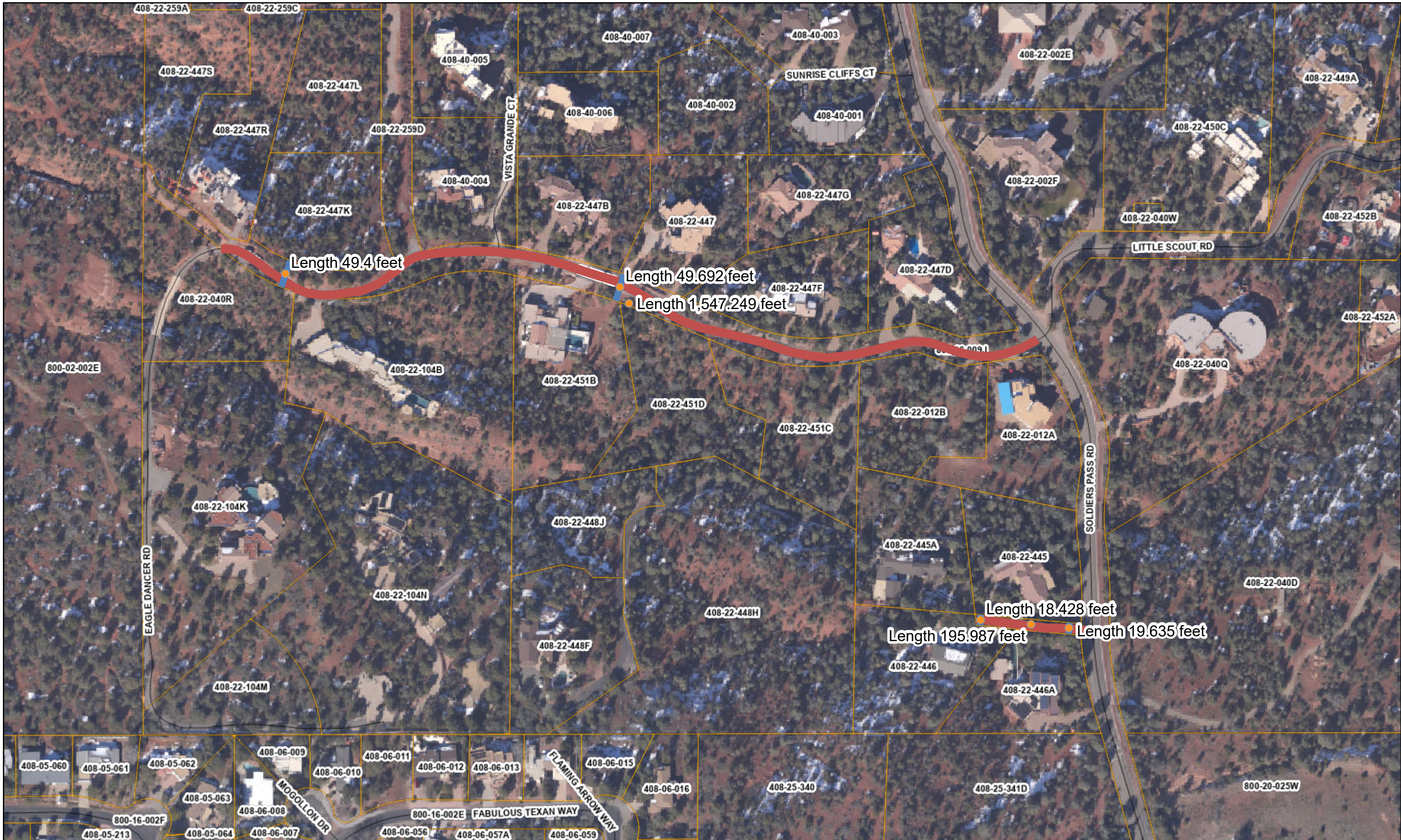
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- RGB**
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- RGB**
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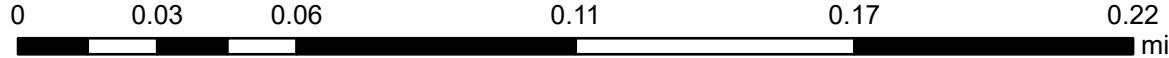


City of Sedona, Arizona



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- OAK CREEK
- COUNTY LINE
- City Boundary
- STREET CENTERLINE
- PARCEL BOUNDARY

FOREST RD
AERIAL 2025

- RGB
- Red: Band_1
 - Green: Band_2
 - Blue: Band_3

CITY BOUNDARY

AERIAL 2023

- RGB
- Red: Band_1
 - Green: Band_2
 - Blue: Band_3

WW AERIAL 2023

- RGB
- Red: Band_1
 - Green: Band_2
 - Blue: Band_3



City of Sedona, Arizona



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- OAK CREEK
- COUNTY LINE
- City Boundary
- STREET CENTERLINE
- PARCEL BOUNDARY

FOREST RD
AERIAL 2025

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CITY BOUNDARY

AERIAL 2023
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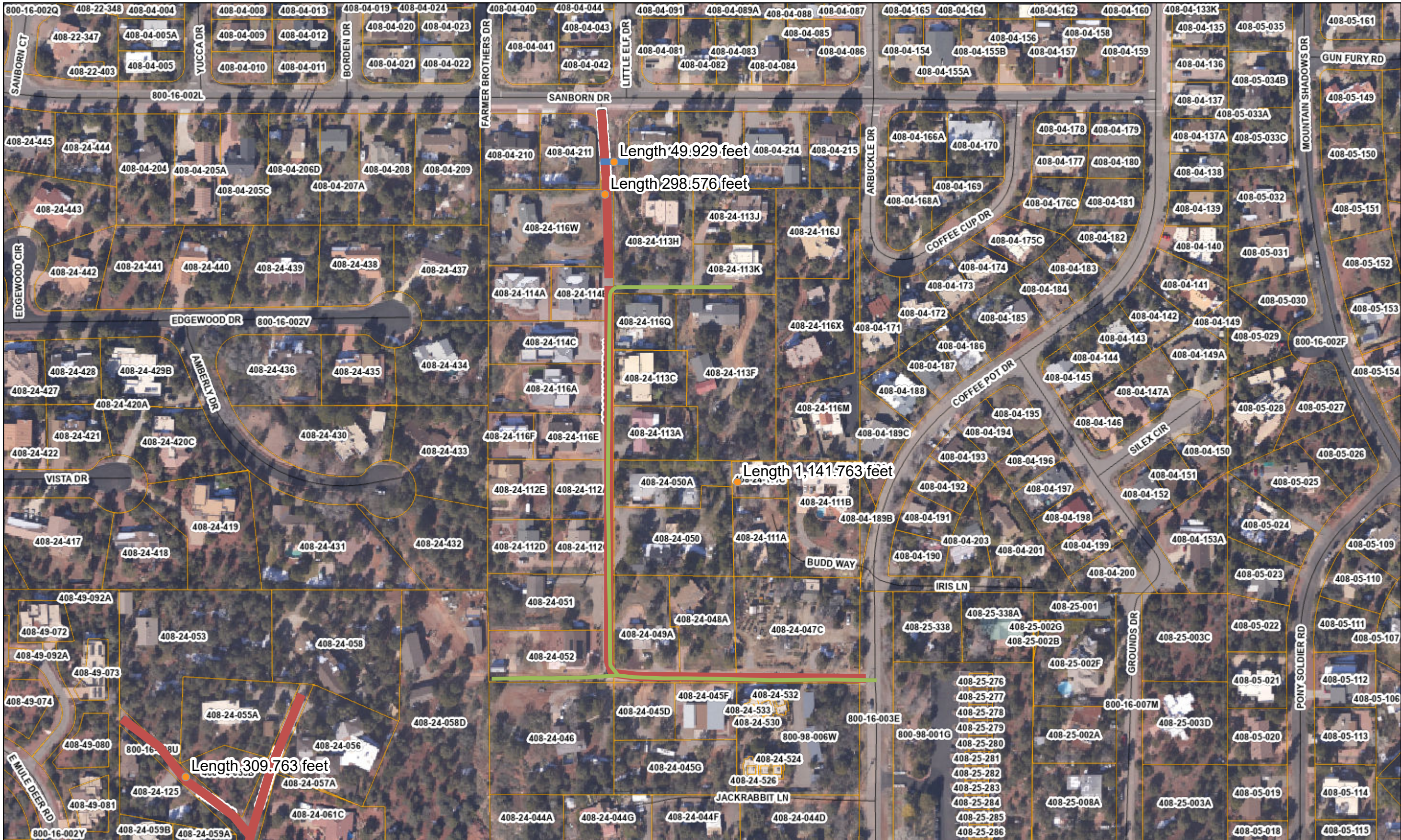
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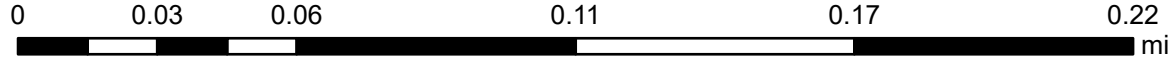


City of Sedona, Arizona



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- OAK CREEK
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 - City Boundary
 - STREET CENTERLINE
 - PARCEL BOUNDARY
- FOREST RD
AERIAL 2025**
- RGB**
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 - Green: Band_2
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- CITY BOUNDARY

- AERIAL 2023**
- RGB**
- Red: Band_1
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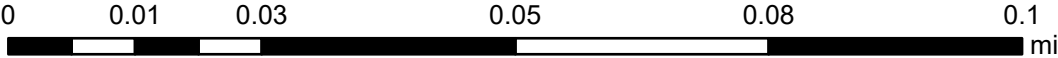


City of Sedona, Arizona



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- OAK CREEK
- COUNTY LINE
- City Boundary
- STREET CENTERLINE
- PARCEL BOUNDARY

FOREST RD
AERIAL 2025

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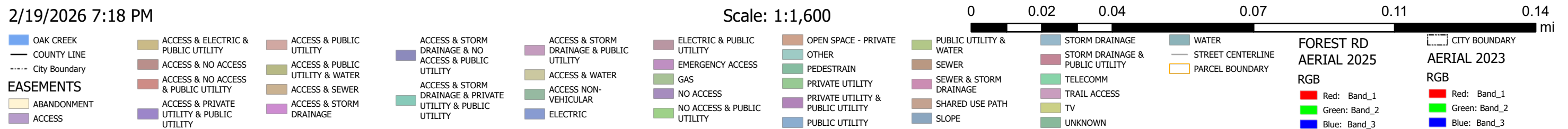
CITY BOUNDARY

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WW AERIAL 2023

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 - Blue: Band_3





CITY COUNCIL AGENDA BILL

AB 3313
March 10, 2026
Regular Business

Agenda Item: 9d

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

Department	City Manager's Dept./Lauren Browne
Time to Present	15 Minutes
Total Time for Item	30 Minutes
Other Council Meetings	Council Retreat, December 16, 2025; December 17, 2025; January 13, 2026; January 27, 2026; February 10, 2026; February 24, 2026
Exhibits	A. City of Sedona Legislative Agenda B. City Council Protocols & Guidelines Legislative Affairs

Finance Approval	Reviewed 02/24/26 BGW	
City Attorney Approval	Reviewed 2/25/26 KWC	Expenditure Required
		\$ N/A
City Manager's Recommendation	Reviewed 2/25/26 ABS	Amount Budgeted
		\$ N/A
		Account No. N/A (Description)

SUMMARY STATEMENT

Background: During the course of the State Legislative Session, many bills are introduced that have a potential impact on the City of Sedona including state budget, Short-Term Rentals, local zoning and preemption bills, voting, and off-highway vehicles. The League of Arizona Cities and Towns, the City's legislative advocate Kathy Senseman of PDG group, and City staff routinely monitor bills of interest as they progress through the legislative process. The 2026 legislative session opened on January 12, 2026, which the Mayor attended at Representative Selena Bliss' invitation.

To prepare for the 2026 session, Kathy Senseman and deputy city manager Lauren Browne presented a draft Legislative Agenda and Protocols & Guidelines documents for Council's review and direction. The final drafts were adopted and approved as amended on January 13, 2026.

A legislative update will be regularly scheduled on council meeting agendas during the 2026 session to provide a summary update on relevant bills and the proposed State budget, to

answer questions that the City Council may have regarding any individual bill or the budget, and to consider the need for the City Council to take a formal position in support or opposition of any particular bill.

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

Board/Commission Recommendation: ☐ Applicable - ☒ Not Applicable

Alternative(s): None

MOTION

I move to: TBD

- 1) **Defend Local Authority:** Protect and enhance local authority and decision making.
 - a. Protect the City from legislation that pre-empts local authority or expands state control of local affairs.
 - b. Oppose any bills that weaken the City's local zoning and land use authorities, or weaken neighboring resident and property owner participation in re-zoning decisions.
 - c. Defend the City's authority to manage its personnel and operations locally.
 - d. Support short-term rental legislation that gives cities that ability to determine caps or limits.
 - e. Repeal SB 1487 (State Revenue Withholding).
 - f. Repeal the current expenditure limitation formula or advocate to re-calculate the formula so that it better suits our unique tourism population influx.

- 2) **Protect City Funding:** Defend against any cuts to State-Shared Revenues, HURF, and other State funds dedicated to local governments.
 - a. Protect State-Shared Revenues from any reductions or sweeps.
 - b. Protect and increase Highway User Revenue Funds (HURF), and advocate to require electric vehicles (EVs) to contribute to HURF, for cities to improve transportation infrastructure and road maintenance and repair programs.
 - c. Oppose any legislation that would reduce the ability for cities to receive user fees from EVs.
 - d. Oppose unfunded mandates on cities.
 - e. Provide cities and counties greater flexibility on local bond issuances.
 - f. Provide more flexibility in the application and use of local impact fees to better address growth impacts in cities and towns.

- 3) **Invest in Local Economies and Infrastructure:** Support the ability of cities to utilize strong economic development tools, support local businesses, and increase infrastructure investment.
 - a. Support legislation and funding to assist in the development of affordable housing.
 - b. Advocate for ADOT funding for local transportation improvements.
 - c. Support funding for wastewater plant upgrades.

- d. Support funding for implementation of federal/state water quality standards, including Per- and Polyfluoroalkyl Substances (PFAS) regulations.
 - e. Support state level efforts to ensure affordable and accessible fire insurance coverage for Sedona residents.
- 4) **Protect the Environment**: Support strong environmental management policies and practices.
- a. Advocate for state funding in regional forest health projects while also reducing wildfire risk to the built environment.
 - b. Support legislation that protects public assets, including laws to protect public safety on those public lands.
 - c. Oppose expanded use, increased weights, and other public off-highway vehicle (OHV) health and safety concerns
- 5) **Protect election laws**: Defend against election law changes that prevent citizens from exercising their right to vote.
- a. Oppose legislation that creates any barriers for Sedona citizens to easily vote – including by mail – and/or to register to vote.

City Council Protocols and Guidelines Legislative Affairs

City Council agrees to the following in regard to all legislative affairs:

- Bill positions will be made by the Council. Staff will prepare a list of bills to be reviewed and discussed at the earliest Council meeting. Council will determine if a City position is warranted and direct staff to communicate that position appropriately.
- Due to the timing of the session and the frequency of legislative committee action it may not always be timely to take a bill before Council. In that event the following protocol will be utilized:
 - Council will approve a Legislative Priorities document that will serve as the guiding document for any staff or lobbyists actions taken outside of Council direction.
 - Staff and/or the lobbyist may sign into the Request to Speak (RTS) system with short notice on behalf of the City on specific bills that meet the criteria outlined in the legislative priorities document.
 - At the next regularly scheduled Council meeting any bill that required immediate action will be on the agenda to discuss and have Council confirm the position taken.
 - The Mayor may sign letters of support/opposition that align with the Legislative Priorities document to ensure the City's voice is timely.
 - Issues not covered by the Legislative Priorities will be first brought to Council.
- When City staff is asked for feedback on bills or comments on general issues, they may do so, with these requests to be shared with City Council either via email or at the next City Council meeting during the legislative update agenda item. Staff comments do not indicate support or opposition of the bill by the City.
- Any outside group/constituent/stakeholder will be invited to approach Council Members directly - rather than approaching staff - for their determination of whether to bring the position request before the Council for discussion.
- Staff shall maintain a rotation of Council Members to determine who attends lobbying trips to the Capitol. This is intended to ensure every Council Member is given an equal opportunity to engage in the process and represent the City.



CITY COUNCIL AGENDA BILL

AB 3066
March 10, 2026
Regular Business

Agenda Item: 9e

Proposed Action & Subject: Discussion/possible action regarding future meeting/agenda items.

Department City Manager

Time to Present 2 Minutes

Total Time for Item 5 Minutes

Other Council Meetings Included in City Council regular meeting agenda packets as of May 14, 2024

Exhibits A. Future Agenda Items

Finance Approval	Reviewed 02/23/26 BGW	
City Attorney Approval	Reviewed 02/23/26 KWC	Expenditure Required
		\$ N/A
City Manager's Recommendation	Reviewed 02/23/26 ABS	Amount Budgeted
		\$ N/A
		Account No. N/A (Description)

SUMMARY STATEMENT

Background: Council requested a document showing future agenda items be added to the Council packet going forward. Attached as Exh. A is the Future Agenda Items document for review and discussion, and possible direction purposes.

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

Board/Commission Recommendation: ☐ Applicable - ☒ Not Applicable

Alternative(s): None

MOTION

I move to: For presentation and direction only.

Date	Day	Time	Type	Topic	Agenda Section	Requestor	Estimated Total Time
3/24/2026	Tuesday	4:30 p.m.					
					Consent		
				AB 3329 Discussion/possible action regarding approval of a Construction Contract with XXX for the WWRP Secondary Clarifier Rehabilitation project in an amount not-to-exceed \$XXX,XXX.XX.	Regular	Holland	30 min
				AB 3312 Discussion/possible action regarding approval of a construction contract for PW-06 City Hall Windows and Door Replacement Project Phase 2 in the amount of \$xxx,xxx.	Regular	Phillips	30 min
				AB 3332 Discussion/possible action to approve a grant application for the 2026 Invasive Plant Program through the Arizona Department of Forestry and Fire Management in the amount of \$xxxx.xx.	Regular	Harris	30 min
				AB 3273 Discussion/possible action for approval of First Amendment to the Charging Station Site License Agreement between the City of Sedona and Electrify America, LLC.	Regular	Harris/Welch	60 min
				AB 3330 Discussion/possible action regarding approval of a 20-year license agreement with Wecom LLC for use of the City's Public Rights-of-Way for fiber optic cable.	Regular	Legal/IT/PW	60 min
				AB 3335 Discussion/possible action to approve an FY27 Congressionally Directed Spending application through the offices of Senator Mark Kelly and Senator Ruben Gallego. The City will apply for the SIM5D – Brewer/Ranger Rd. Roundabout construction project with a grant request of \$5,412,064.	Regular	Harris/Kamarata	45 min

				AB 3313 Discussion/possible direction/action regarding proposed State legislation, short-term rental legislation, lobbying efforts, and State budget and their potential impact on the City of Sedona.	Regular	Browne	30 min
				AB 3066 Discussion/possible action on future meeting and agenda items.	Regular	Spickard	10 min
3/25/2026	Wednesday	3:30 p.m.					
				AB 3334 Joint meeting with the Sedona Oak-Creek Unified School District for a discussion/presentation regarding the initial data results for the Balanced Housing Plan.	Special	Allender	3 hours
4/14/2026	Tuesday	3:00 p.m.					
				Discussion and consultation regarding personnel matters, specifically to discuss City Manager Anette Spickard's annual evaluation. This matter is brought in executive session pursuant to A.R.S. 38-431.03(A)(1).	Executive Session	Spickard	60 min
4/14/2026	Tuesday	4:30 p.m.					
					Consent		
				Discussion/presentation/possible action regarding The Tourism Program's strategy for the Summer 2026 Destination Marketing Campaign. City Staff is proposing a continuation of the Redefine Desert campaign concept for the Summer 2026 Destination Marketing Campaign. The proposed budget for the campaign is within what was budgeted for this activity in the FY26 Tourism Program budget.	Regular	Grossmann	90 min
4/15/2025	Wednesday	1:00 p.m.					
				Work Session #1 Budget	Special		5 hours
4/22/2026	Wednesday	8:00 a.m.					
				Work Session #2 Budget	Special		9 hours

4/23/2026	Thursday	8:00 a.m.					
				Work Session #2 Budget	Special		9 hours
4/28/2026	Tuesday	3:00 p.m.					
				TBD	Executive Session	Christianson	
4/28/2026	Tuesday	3:30 p.m.		Amend bylaws of the Sedona Wastewater Municipal Property Corporation (SWMPC)	SWMPC		30 min
4/28/2026	Tuesday	4:30 p.m.					
					Consent		
				AB 3333 Discussion/presentation from xxxx of APS to provide an update regarding emergency power shutoff/wildfire safety protocols and planning.	Regular	Spickard	45 min
				AB 3151 Discussion/possible action regarding approval of a construction contract with XXXXXXXXXXXXXXXX, for the Improvements at Ranger Station / Interior Restoration of House and Barn Project, in the amount of \$XXXXXXXX.	Regular	Phillips	45 min
				AB 3324 Discussion/possible action for approval of construction contract to construct ST-02 Rodeo Drainage Improvement in the amount of \$189,592.66 with Mulcaire & Sons Contracting, LLC.	Regular	Phillips	30 min
				AB 3313 Discussion/possible direction/action regarding proposed State legislation, short-term rental legislation, lobbying efforts, and State budget and their potential impact on the City of Sedona.	Regular	Browne	30 min
				AB 3066 Discussion/possible action on future meeting and agenda items.	Regular	Spickard	10 min
4/29/2026	Wednesday	4:30 p.m.					
				1st Work Session/listening session off-site CC	Listening Session		2 hours
5/12/2026	Tuesday	3:00 p.m.					
				TBD	Executive Session	Christianson	
5/12/2025	Tuesday	4:30 p.m.					

					Consent		
					Regular		
				AB 3313 Discussion/possible direction/action regarding proposed State legislation, short-term rental legislation, lobbying efforts, and State budget and their potential impact on the City of Sedona.	Regular	Browne	30 min
				AB 3066 Discussion/possible action on future meeting and agenda items.	Regular	Spickard	10 min
5/13/2026	Wednesday	4:30 p.m.					
5/26/2026	Tuesday	3:00 p.m.					
				TBD	Executive Session	Christianson	
5/26/2026	Tuesday	4:00 p.m.					
				Presentation/discussion/possible direction regarding an Overview of Community Facilities Districts (CFD) and allowable uses of CFD funds.	Joint Mtg. Sedona Summit II CFD & Fairfield CCFD Board of Directors	Whitehorn	15-30 min
				Discussion/possible action regarding approval of minutes from June 24, 2025.			
				Public hearing/discussion/possible action regarding adoption of a Resolution approving the Tentative Budget for fiscal Year 2026-27.			
5/26/2026	Tuesday	4:30 p.m.					
					Consent		
				AB 3289 Public hearing/discussion/possible action regarding approval of the Tentative City Budget for Fiscal Year 2026-2027.	Regular	Whitehorn	90 min
				AB 3331 Discussion/presentation regarding an update on the Coconino National Forest/Red Rock Ranger District by District Ranger Alex Schlueter.	Regular	Spickard	60 min
				AB 3313 Discussion/possible direction/action regarding proposed State legislation, short-term rental legislation, lobbying efforts, and State budget and their potential impact on the City of Sedona.	Regular	Browne	30 min

				AB 3066 Discussion/possible action on future meeting and agenda items.	Regular	Spickard	10 min
5/27/2026	Wednesday	4:30 p.m.					
				AB 3315 Discussion/possible direction regarding updated building codes.	Special	Mertes	2.5 hours
6/9/2026	Tuesday	3:00 p.m.					
				TBD	Executive Session	Christianson	
6/9/2026	Tuesday	4:30 p.m.					
					Consent		
				AB 3313 Discussion/possible direction/action regarding proposed State legislation, short-term rental legislation, lobbying efforts, and State budget and their potential impact on the City of Sedona.	Regular	Browne	30 min
				AB 3066 Discussion/possible action on future meeting and agenda items.	Regular	Spickard	10 min
6/10/2026	Wednesday	4:30 p.m.					
				AB 3336 Discussion/possible direction on sustainability code recommendations for energy, mobility, waste, water, and climate resiliency.	Special	Beck	2 hours
				TBD	Executive Session	Christianson	
6/23/2026	Tuesday	3:45 p.m.					
				Discussion/possible action regarding approval of minutes from May 27, 2025.	Sedona Summit II CFD & Fairfield CCFD Board of Directors		
				Public hearing/discussion/possible action regarding adoption of a Resolution approving the Final budget for fiscal year 2026-27 for the Sedona Summit II CFD.			

				Public hearing/discussion/possible action regarding adoption of a Resolution approving the Final budget for fiscal year 2026-27 for the Fairfield Community CFD.			
6/23/2026	Tuesday	4:00 p.m.					
				AB 3290 Public Hearing/discussion/possible action regarding approval of a Resolution adopting the City of Sedona's Budget for Fiscal Year 2026-27.	Special	Whitehorn	30 min
6/23/2026	Tuesday	4:30 p.m.					
					Consent		
					Regular		
6/24/2026	Wednesday	4:30 p.m.					
					Special		
7/14/2026	Tuesday	3:00 p.m.					
				TBD	Executive Session	Christianson	
7/14/2026	Tuesday	4:30 p.m.					
					Consent		
				AB 3328 Discussion possible action regarding Small Grant and Arts & Culture Grant award recommendations.	Regular	Turck	45 min
7/15/2026	Wednesday	4:30 p.m.					
					Special		