

CITY OF SEDONA

CITIZENS' FINANCIAL SUMMARY

POPULAR ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 2011



Popular Annual Financial Report

We are pleased to present the City of Sedona's Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2011. This is the City's first PAFR, and is formulated as an easy to read version of the City's Comprehensive Annual Financial Report (CAFR). The CAFR is published on a yearly basis by the City of Sedona.

Our goal is to provide residents and other interested parties an easy-to-read document, which explains significant financial and performance achievements.

Much of the financial information in this publication is directly from the City's CAFR. The Comprehensive Annual Financial Report (CAFR) is a detailed account of the City's financial statements, notes, schedules, and statistics. The CAFR was prepared in conformance with Generally Accepted Accounting Principles (GAAP) and was audited by Hinton Burdick Hall & Spilker PLLC, 63 South 300 East, Suite 100, St. George, UT 84770.

It is important to mention and note that The Sedona Fire District and the Sedona-Oak Creek Unified School District are not part of the City of Sedona governmental body. There are separate entities altogether, with different taxing authorities.

A copy of the City of Sedona's CAFR can be found on the City's website under Your Government, Departments, Finance, Budget and Audit Documents, Fiscal Year 2010-2011. Upon request, my staff and I will be pleased to respond to any questions on this publication, the CAFR, and current budget documents.

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SEDONA SNIPPETS

The City of Sedona is part of two counties, Coconino and Yavapai.

The sales tax rate for Coconino County is **10.725%**

The sales tax rate for Yavapai County is **10.35%**

SINCERELY,

BARBARA ASHLEY
DIRECTOR OF FINANCE

CITY OF SEDONA VISION STATEMENT



COUNCIL-MANAGER FORM OF GOVERNMENT

THE CITY COUNCIL
CONSISTS OF SIX
COUNCILORS AND A
MAYOR. THE SIX COUNCIL
MEMBERS ARE ELECTED AT
LARGE AND SERVE FOUR-
YEAR OVERLAPPING
TERMS. THE MAYOR IS
ELECTED BY THE CITIZENS
AND SERVES A TWO-YEAR
TERM.

The vision that the citizens have for the future of their City is . . .

To be a city that is constantly vigilant over the preservation of its natural beauty, scenic vistas, pristine environment and cultural heritage.

To be a city that retains its small- town character and creates its manmade improvements in strict harmony with nature.

To be a city that is animated by the arts, and lives with a spirit of volunteerism to help achieve our common goals.

To be a city that offers equal opportunities for all and fosters a sense of community.

To be a city that welcomes and accommodates all of its visitors and future residents with a spirit of fellowship.

To be a city that retains and enhances a strong and vital economy which preserves existing lifestyles without exploiting the natural beauty.

And finally,

To be a city that lives up to the challenge of proper stewardship of one of the earth's great treasures.

The following are goals, objectives, policies and actions found within the elements of the Sedona Community Plan.

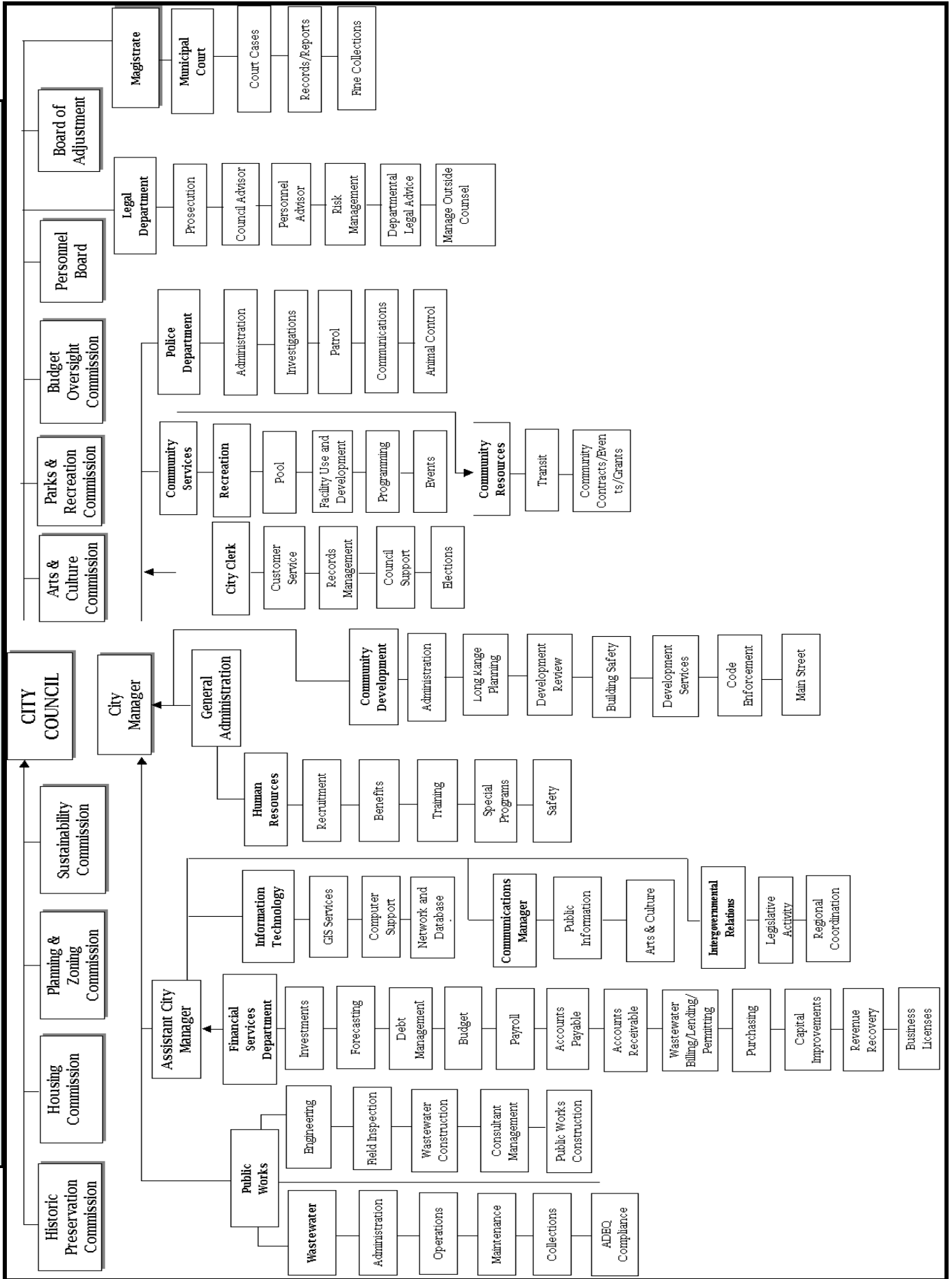


City of Sedona City Council

Left to Right:

*Mark DiNunzio,
Mike Ward,
Barbara Litrell,
Mayor Rob Adams,
Dennis Rayner,
Dan McIlroy,
Vice Mayor Cliff Hamilton*

ORGANIZATIONAL STRUCTURE



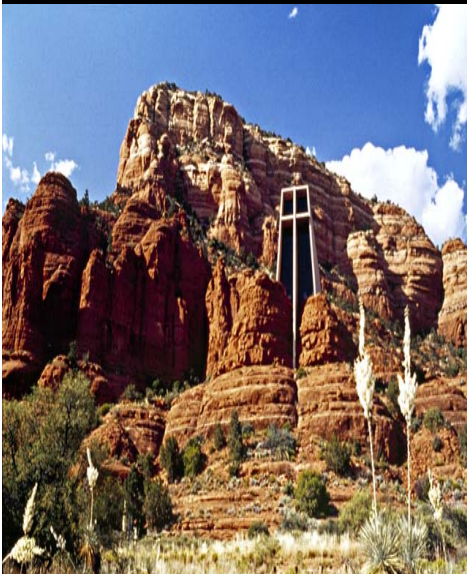
ACCOMPLISHMENTS

SEDONA SNIPPETS

THE CITY CURRENTLY PROVIDES A FULL RANGE OF SERVICES, WHICH INCLUDE:

- MUNICIPAL SERVICES
- POLICE PROTECTION
- SEWER SERVICES
- CONSTRUCTION & MAINTENANCE OF STREETS
- RECREATIONAL AND CULTURE EVENTS
- *FIRE PROTECTION SERVICES PROVIDED BY SEDONA FIRE DISTRICT
- *THE SEDONA-OAK CREEK SCHOOL DISTRICT OFFERS, K-12 GRADES

**THESE SERVICES ARE PROVIDED BY ENTITIES THAT ARE NOT PART OF THE CITY OF SEDONA GOVERNMENTAL BODY.*



Even during an economic downturn, the City of Sedona maintained consistency and accomplished numerous objectives. Citizens were provided with the superior customer service expected from the City of Sedona while receiving core services.

Major highlights of the fiscal year ended 2011 include:

- City Sales Tax Audit Program successfully implemented
- City Council focused its top priorities on: Financial Sustainability, Enhanced Communication, and Infrastructure Needs
- The City's new business license program was successfully launched
- To reduce costs, employee Merit and COLA increases suspended
- Implemented wastewater rate study increases, which provide a long term financial strategy for fiscal stability . Increasing wastewater rates better align costs of service with expenditures in the fund
- Transitioned from Arizona Department of Revenue to Revenue Discovery Systems for city sales tax collections
- Conducted a comprehensive review of fees for services to determine if the fees charged for service were meeting the city's cost recovery goals
- Implemented City of Sedona Citizen's Academy to increase citizen participation in the city's operations
- Hired new Human Resources Manager, Brenda Tammarine
- Created and implemented a Five-Year Capital Plan
- Continued to provide over \$1,000,000 in funding to community based not-for-profit groups for contractual services and to support various community wide events

CITY OF SEDONA

NET ASSETS OVERVIEW

NET ASSETS:

Net assets are the difference between assets and liabilities. Net assets reflect the city's financial health.

GOVERNMENTAL ACTIVITIES:

The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services provided. Most of the City's basic services are reported here, including the police, public works, parks departments, and general administration. Taxes, franchise fees, and state and federal grants finance most of these activities.

BUSINESS TYPE ACTIVITIES:

When the City of Sedona charges customers for the services it provides, whether to outside customers or to other units of the City, these services are typically reported in proprietary funds. The City's Wastewater Enterprise Fund is a component of proprietary funds.

Statement of Net Assets in FY 2011

The Statement of Net Assets reports the City's net assets. The change in the City's net assets is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating.

Governmental Activities in FY 2011

The governmental assets of the City of Sedona exceed liabilities at June 30, 2011, by \$43,904,249 (net assets). While the assets decreased by \$151,155, the City's liabilities also decreased by \$1,020,033. The net assets increased by \$868,878 in the governmental fund.

In the governmental activities, total revenues decreased by approximately 13.2%. The expenses in governmental activities decreased by approximately 24.4% due to planned budget reductions. In addition, some projects were deferred for a later start and several major projects were completed in the prior year.

Business-type Activities in FY 2011

The business-type activities of the City of Sedona exceed liabilities at June 30, 2011, by \$62,005,620 (net assets). While the assets decreased by \$6,892,237, the City's liabilities decreased by \$8,751,426. The net assets increased by \$1,859,189.

In the business-type activities, total revenues increased approximately 2.7%. Increases to wastewater rates as reflected in the Wastewater Rate Study contributed to increased revenue. State shared revenue increases also contributed to a positive revenue trend. Total expenses decreased 2% primarily due to capital projects being delayed because of time constraints and design issues. As a result of increased maintenance at the wastewater plant, the City experienced an increase in capital assets.

Total Government Net Assets in FY 2011

The Statement of Net Assets, or City's balance sheet, reflects a strong and healthy financial condition as of June 30, 2011. As of June 30, 2011, the City's assets exceed liabilities by \$105,909,869. The largest portion of the City's net assets (63%) reflect its investment in capital assets, less any related outstanding debt used to acquire those assets.



City of Sedona's Net Assets

	Governmental Activities		Business-Type Activities		Total Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 28,309,629	\$ 27,788,134	\$ 19,379,230	\$ 26,962,777	\$ 47,688,859	\$54,750,911
Capital Assets:	28,968,866	29,641,516	98,079,498	97,388,188	127,048,364	127,029,704
Total Assets	57,278,495	57,429,650	117,458,728	124,350,965	174,737,223	181,780,615
Long-term liabilities outstanding	11,912,337	12,253,636	48,430,296	52,638,437	60,342,633	64,892,073
Other liabilities	1,461,909	2,140,643	7,022,812	11,566,097	8,484,721	13,706,740
Total Liabilities	13,374,246	14,394,279	55,453,108	64,204,534	68,827,354	78,598,813
Invested in Capital Assets, Net of Related Debt	17,056,529	21,081,629	49,649,202	46,616,756	66,705,731	67,698,385
Restricted	9,048,404	9,929,271	-	92,327	9,048,404	10,021,598
Unrestricted	17,799,316	12,024,471	12,356,418	13,437,348	30,155,734	25,461,819
Total Net Assets	43,904,249	43,035,371	62,005,620	60,146,431	105,909,869	103,181,802

Those desiring to review full disclosure GAAP basis financial statements should refer to the City's audited financial statements, which are contained in the Comprehensive Annual Financial Report (CAFR). While the numbers in this report come from an audited source, they are presented in a condensed, un-audited non-GAAP format.

The CAFR is available on the city's website or may be obtained by contacting the Finance Department at: (928) 204-7205.

SEDONA SNIPPETS

Sedona was established in 1902, and is one of Arizona's premier tourism, recreation, resort, retirement, and art centers, all of which contribute to its economic base.

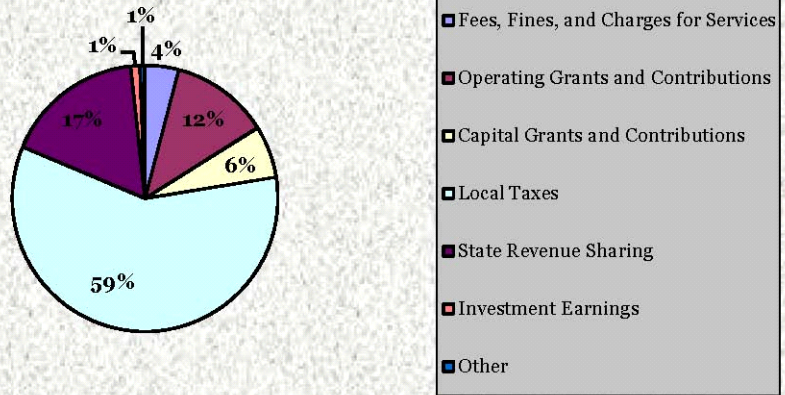
Sedona was incorporated as a City under Arizona Revised Statutes in 1988. It encompasses 18.5 square miles, approximately half of which is under jurisdiction of the U.S. Forest Service. The population is 10,031, according to the 2010 Census.



**City of Sedona
Core Values**

*Fairness
Integrity
Respect
Caring
Honesty*

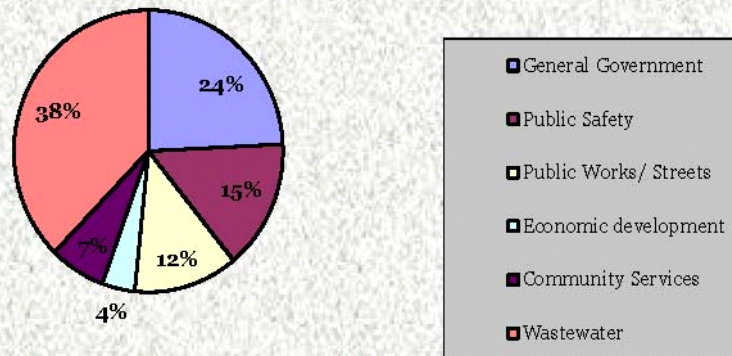
**2011 Revenues by Source
Government Activities**



**2011 Revenues by Source
Business Type Activities**



**2011 Expenditures by Function
Total Government**



**City of Sedona
Statement of Activities**

	Governmental Activities		Business-Type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues:						
Fees, Fines, and Charges for services	\$ 586,877	\$1,044,144	\$ 4,393,291	\$ 4,335,777	\$ 4,980,168	\$ 5,379,921
Operating Grants and Contributions	1,732,206	2,185,565			\$ 1,732,206	\$ 2,185,565
Capital Grants and Contributions	918,037	426,903			\$ 918,037	\$ 426,903
General Revenues:					\$ -	\$ -
Local Taxes	9,872,516	9,622,788	5,413,073	4,925,801	\$ 15,285,589	\$ 14,548,589
State Revenue Sharing	1,064,334	1,411,823			\$ 1,064,334	\$ 1,411,823
Grants and Contributions Not Restricted	-	1,000,400			\$ -	\$ 1,000,400
Investment Earnings	166,085	533,139	134,460	409,512	\$ 300,545	\$ 942,651
Other	88,974	405,305			\$ 88,974	\$ 405,305
Total Revenues	14,429,029	16,630,067	9,940,824	9,671,090	24,369,853	26,301,157
Expenses						
General Government	4,893,853	7,445,612			4,893,853	7,445,612
Public Safety	3,009,197	3,618,539			3,009,197	3,618,539
Public Works/Streets	2,531,632	4,899,328			2,531,632	4,899,328
Economic Development	1,357,077	-			1,357,077	-
Community Services	795,005	815,848			795,005	815,848
Interest on Long term debt	583,175	636,191			583,175	636,191
Wastewater	-	-	7,618,142	7,773,970	7,618,142	7,773,970
Total Expenses	13,169,939	17,415,518	7,618,142	7,773,970	20,788,081	25,189,488
Change in net assets before transfers	1,259,090	(785,451)	2,322,682	1,897,120	3,581,772	1,111,669
Transfers	-	404,856	-	(404,856)		
Change in net assets	1,259,090	(380,595)	2,322,682	1,492,264	3,581,772	1,111,669
Net Assets- Beginning of Year	43,035,371	43,415,966	60,146,431	58,654,167	103,181,802	102,070,133
Prior Period Adjustment	(390,212)		(463,493)		(853,705)	
Net Assets - End of Year	43,904,249	43,035,371	62,005,620	60,146,431	105,909,869	103,181,802

Two Year Debt Summary

Debt Type	All Funds	
	2011	2010
Revenue Bonds	\$ 59,930,000	\$ 63,765,000
Certificates of Participation	-	-
Capital Leases	64,328	86,337
Special Assessment Bonds	-	-
WIFA Loan	-	605,806
Total Debt	\$ 59,994,328	\$ 64,457,143

Debt Policy

The City of Sedona's Debt Policy provides criteria used to determine when it's appropriate to fund capital projects using existing revenues or by issuing bonds or seeking loans. The City of Sedona has a comprehensive debt policy, which includes the following guidelines:

- Capital investments must have a useful life longer than 5 years to issue debt for the investment
- The City will strive to maintain or improve its credit ratings, although not at the expense of significantly delaying important capital projects
- The City will utilize realistic, but conservative assumptions for structuring its bonding program with regard to future revenue growth, interest rates, project costs, etc.

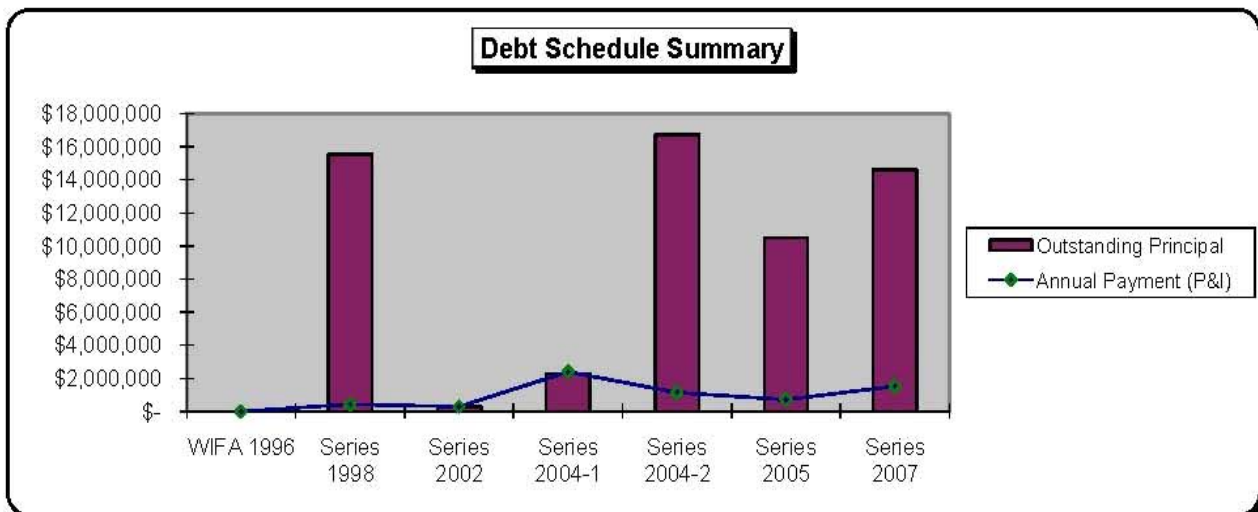
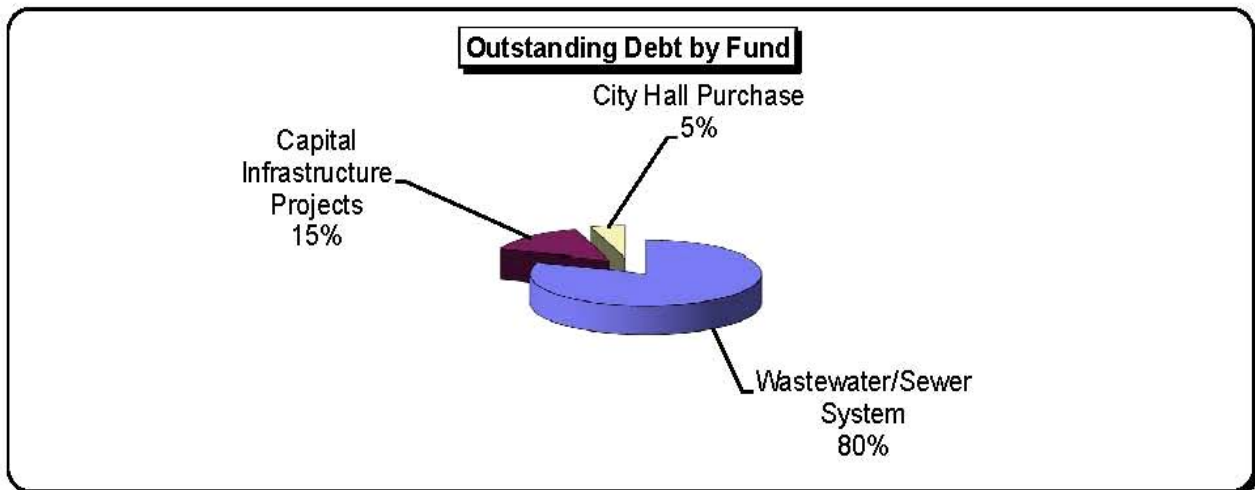
Debt Type Definitions

- **Revenue Bonds**
Long term debt with repayment to come from a pledged City revenue stream
- **Certificates of Participation**
Long term debt where an investor buys a share of the improvement and is paid back over the term of the certificate
- **Capital Leases**
Short term debt used for equipment
- **Special Assessment Bonds**
Long term debt with repayment assessed to homeowners within the assessment district
- **WIFA Loan**
State financing authority; Low to zero interest loan

CITY OF SEDONA, ARIZONA Debt Summary

<u>Purpose of Debt</u>	<u>Outstanding Balance</u>	<u>FY 2011/12 Debt Service</u>
Wastewater/Sewer System	\$ 48,275,000	\$ 5,647,286
Capital Infrastructure Projects	8,795,000	404,856
City Hall Purchase	2,860,000	481,223
Total Long-Term Debt	\$ 59,930,000	\$ 6,533,365 P&I **

** The debt service repayment schedule is planned for level annual payments through the end of the repayment period.





City of Sedona, Arizona City Officials

City Council

Rob Adams, Mayor
Cliff Hamilton, Vice Mayor
Dan McIlroy
Dennis Rayner
Barbara Litrell
Mark DiNunzio
Mike Ward

Department Heads

City Attorney	Mike Goimarac
City Manager	Tim Ernster
Finance Department	Barbara Ashley
Magistrate Court	Rodger Overholser
Police Chief	Ray Cota
Public Works	Charles Mosley
Community Development	John O'Brien
Community Services	Andi Welsh

City Buildings & Phone Numbers

Town Hall

102 Roadrunner Drive
Sedona, AZ 86336
(928) 282-3113
www.sedonaaz.gov/cityclerks

Community Development

(928) 282-1154
www.sedonaaz.gov/communitydevelopment

Municipal Court

(928) 282-1189
www.sedonaaz.gov/court

Parks & Recreation

(928) 282-7098
www.sedonaaz.gov/parks

Police (Non-Emergency)

(928) 282-3100
www.sedonaaz.gov/pd

Public Works

(928) 204-7111
www.sedonaaz.gov/pw

Finance Department

(928) 204-7205
www.sedonaaz.gov/finance

