

**CITY OF SEDONA, ARIZONA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2009**

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Rob Adams  
*Mayor*

John Bradshaw  
*Vice Mayor*

*Councilmembers*

Nancy Scagnelli

Dan Surber

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*Finance Operations Manager*

Prepared by:  
Financial Services Department

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FISCAL YEAR ENDED JUNE 30, 2009  
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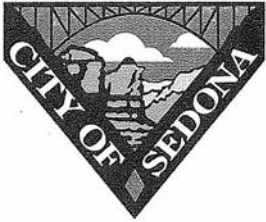
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## **INTRODUCTORY SECTION**

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January 6, 2010

Honorable Mayor, City Council and Citizens of Sedona, Arizona:

We are pleased to submit to you the 2009 Comprehensive Annual Financial Report (CAFR) for the City of Sedona, Arizona (the City). The report was prepared by the Financial Services Department and reviewed by the City Manager.

This report 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, and bond rating agencies, National Recognized Municipal Securities Information Repositories, 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 City library 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 government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of financial statements. 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 city-wide 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, LarsonAllen 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, 2009, are free from material misstatement. The independent audit involved examining, on a test basis, 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 unqualified opinion that the financial statements for the City of Sedona, Arizona for the fiscal year ended June 30, 2009, 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.

## **THE FINANCIAL REPORTING ENTITY**

The City of Sedona, Arizona incorporated in 1988, has a Council-Manager form of government consisting of the Mayor and six Council Members. 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 last action taken by City Council is to have a Council liaison appointed through City Council. The liaison is responsible for monitoring the City's accounting and reporting practices. The liaison meets with financial management of the City to monitor the discharge of its responsibilities. The liaison also meets periodically with the independent auditors, who have free access to both the liaison and the City Council, to discuss internal accounting controls as well as auditing and financial reporting matters.

The City encompasses approximately 19 square miles and is located in both Yavapai and Coconino Counties. Between 1988, when the City was incorporated and today, the City's population has increased approximately 56%. The estimated current population is approximately 11,436. The City's growth is attributable to the growth patterns of the Southwest and of the State of Arizona and Yavapai County. The City has attempted to manage its growth in a way to maintain its character. Based on current projections, population growth trends are expected to continue to be flat. This zero growth will continue to present significant challenges to the City in providing its current high level of services.

The City provides a full range of municipal services, including police protection, sewer services, construction and maintenance of streets, recreational and cultural events, planning and zoning services and general administrative services. The City offers community facilities including a swimming pool, a community park and a neighborhood park.

## **FINANCIAL CONTROLS**

### *Internal Controls*

As previously noted, the management of the City of Sedona, Arizona is responsible for establishing and maintaining a system of internal control. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

- 1) safeguarding of assets against loss from unauthorized use or disposition, and
- 2) reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes:

- 1) the cost of a control should not exceed the benefits likely to be derived, and
- 2) the valuation of costs and benefits requires estimates and judgments by management.

The system of internal controls is subject to periodic evaluation by management and is also considered by the independent auditors in connection with the annual audit of the City's financial statements. All internal control evaluations occur within the above framework. The City's internal accounting controls are considered to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.



### Budgetary Controls

The City of Sedona, Arizona, like all cities in the State of Arizona, is subject to numerous budget and related legal requirements. Article IX, Section 20 (1) of the Arizona Constitution sets limits on the City's legal budget capacity. The City currently operates under the Alternative Expenditure Limitation – Home Rule Option. This option allows the City Council to establish the budgetary limits locally. The voters must authorize this option every four years. The citizens of Sedona last authorized it in March 2008.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated operating budget approved by the Mayor and Council. Activities of the General Fund, special revenue funds, debt service funds, capital projects funds, and enterprise 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 continues to face many critical growth issues, but its citizens and municipal government are committed to finding solutions for the future. This commitment has helped to make 2009 a successful year, and will provide for continued success in the years to come.

#### Economic Outlook

*Retail Sales:* The City of Sedona, Arizona places a heavy reliance on City-collected sales tax. Overall, sales tax revenues comprise approximately 54.1% of the General Fund revenues. The City's sales tax rate is currently at 3% (split between General Fund 1.12%, Capital Fund .5% and Wastewater Enterprise Fund 1.38%), and the City also has a 3% Bed tax (occupancy).

*State Shared Revenues:* The City of Sedona, Arizona 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 portion 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. In recent years the state legislature has reduced the formula distribution of state-shared revenues to cities. The state shared revenue formulas generally allocate revenues based on official census data (Last census: Year 2000).

#### Long-term Financial Planning

The City continues to update its long-term financial plan. In reviewing the long-term fiscal outlook for the City, it became evident that the City would need to provide new funding sources in order to avoid reductions in services. Staff and City Council are continuing the process of evaluating and prioritizing capital and programming needs and identifying possible funding strategies for those priorities. This long-term strategy will assist the City in developing programs and funding capital projects in a way to maintain a financially stable environment in the City for years to come.

## **MAJOR INITIATIVES AND SERVICE EFFORTS AND ACCOMPLISHMENTS**

### **For the Year**

During fiscal year 2009, the City continued to invest in programs and amenities that keep the City a very livable community.

The following are some of the service efforts and accomplishments of the City during fiscal year 2009:

#### **Police**

- Created an uptown liaison officer position to address safety and traffic issues in one of the cities most congested areas.
- Received federal grant funding for 'Technology Improvements' to the Communications Center.
- Trained a 'Commercial Vehicle' Inspection Officer to educate and enforce traffic laws pertaining to large vehicles on our highways.

#### **Public Works**

- Started the Harmony-Windsong drainage improvements project.
- Published General Storm-Water Pollution Guidelines.
- Began construction of Chapel Area storm drainage improvements.
- Completed ADA Handicapped ramp improvements throughout the City and in the City Hall Complex.
- Installed low flow urinals at City Hall.
- Began program to change light fixtures to more energy efficient fixtures.

#### **Management Services**

- Facilitated ADOT State Route 179 improvements.
- Continued to provide funding for Community based not-for-profit groups.
- Received grant from Arizona Department of Environmental Quality to hold City's first household hazardous waste event.
- Completed all requirements and closed out a Consent Decree from the Department of Justice for compliance with the Americans with Disabilities Act (ADA).
- Held the City's first Mature Workforce Forum.
- Provided qualifying Funds to Sedona's five major arts organizations. Also, awarded additional dollars in grants to local artists and art organizations.
- Provided funding for Summer Arts Program for local youth.

#### **Community Development**

- Implemented the Mobile Home Replacement Program with funding from CDBG grant.
- Adoption of the Vacation Rental Ordinance.
- Adoption of the Sign Walker Ordinance.
- Submitted recommendations to City Council for the West Sedona Commercial Re-Development Plan and Code.

#### **Parks & Recreations**

- Began to improve overall park facilities maintenance.
- Hired additional recreation coordinator.
- Hosted two signature events – Earth Day and Celebration of Spring.

## Wastewater

- Began construction of Chapel Area Sewer.
- The Sewer cleaning and closed circuit TV inspection was completed for sewer portions of the City.
- Completed installation of a biofilter unit at SR 89A and Upper Red Rock Loop Road to resolve odor problem.
- Evaluated and updated Chapter 13, Wastewater Ordinance.

## **For the Future**

The City's financial and operational plans will continue to support basic government services including roads, police, sewer and parks and recreation. In addition, the Council has begun a process to assist in the identification, prioritization and management of emerging strategic issues that, by virtue of their scope, complexity, and/or potential impact, require a coordinated multi-department action plan and budget. The City Council works closely with City management to implement specific objectives and tasks designed to meet these goals.

The following major goals were identified in 2008 by the City Council in the Strategic Plan as important priorities for the future:

- Continue support of the redevelopment plan.
- Continue to work with Arizona Department of Transportation (ADOT) on Route 179 Improvements.
- Review strategies to improve traffic, safety and parking solutions.
- Change the focus in Parks and Recreation from Trails program to development of programs and maintenance of facilities.
- Budget accountability and economic sustainability.
- Youth in Sedona – 'do and go' facilities.
- Affordable Housing.
- Continuous improvement in the organization. In November 2009, the City Council updated its strategic plan.

## **OTHER MATTERS**

### **Employee Pension Plans**

The City maintains two employee pension plans. The general employee plan is administered through the Arizona State Retirement System. The Arizona Public Safety Personnel Retirement System administers the public safety pension plan. Both the employee and the employer make contributions directly to these organizations per the guidelines of each retirement system. Financial information about these plans can be found in Note 4.C. of the notes to basic financial statements.

## **Debt Administration**

The following table is a summary of the City's outstanding debt at June 30, 2009.

<u>Purpose of Debt</u>	<u>Outstanding Balance</u>	<u>Annual Debt Service</u>
Wastewater	\$ 55,836,967	\$ 3,106,161
Infrastructure Projects	8,795,000	-
Debt service begins 7/1/2018		
City Hall Purchase	<u>3,525,000</u>	<u>320,000</u>
Total Long-term Debt	<u>\$ 68,156,967</u>	<u>\$ 3,426,161</u>

## **Financial Policies**

The City's financial policies establish the framework for Sedona's overall fiscal planning and management. They set forth the guidelines against which current budgetary performance can be measured and proposals for future programs can be evaluated. Sedona's publicly adopted financial policies show the credit rating industry and prospective investors (bond buyers) the City's commitment to sound financial management and fiscal integrity. The financial policies also improve the City's fiscal stability by helping City officials plan fiscal strategy with a consistent approach. Adherence to adopted financial policies promotes sound financial management, which can lead to improvement in City bond ratings and lower cost of capital.

## **Cash Management**

The City Manager and Financial Services Department manage the City's investment portfolio with the assistance of external investment advisement and ensures compliance with the City's Investment Policy. The City's investment policy is to invest public funds with maximum security in a manner that will provide the highest return while meeting the daily cash flow demands of the City and conforming to all applicable State statutes. The primary objectives, in priority order, are safety of principal, liquidity, and attaining a market rate of return.

The City is permitted to invest in certificates of deposit, direct U.S. Treasury debt, securities guaranteed by the U.S. Government, and the State of Arizona's Local Government Investment Pool.

Temporary idle cash during the year was invested in the State Treasurer's Investment Pool and Fannie Mae securities. For further information on the City's investments, please refer to Note 3.A.1. of the notes to the basic financial statements.

## **Risk Management**

The City is exposed to various risks of loss related to public and property liability and worker's compensation. Public liability includes public officials' errors and omissions, automobile and general liability. The City participates in the Arizona Municipal Risk Retention Pool. The policy insures up to \$2,000,000 per incident plus excess liability of up to \$8,000,000. Coverage is provided on a claims made basis with a \$25,000 deductible. Auto is on an occurrence basis with a \$500 deductible on liability.

The City's liability insurance program is administered by the City Attorney's Office. Worker's Compensation claims are reviewed by the Human Resources Department and handled through Arizona Municipal Workers Compensation Pool.

The City of Sedona, Arizona has an aggressive safety program, which promotes employee safety on the job and focuses on risk control techniques designed to minimize accident related losses.

## **OTHER INFORMATION**

### **Award**

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sedona, Arizona for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. This was the 10th year that the City of Sedona, Arizona has received this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. That report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

### **Acknowledgments**

The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the efficient and dedicated services of the staff of the City Manager and Financial Services Departments. 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,



Tim Ernster  
City Manager



Barbara Ashley  
Finance Operations Manager

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sedona  
Arizona

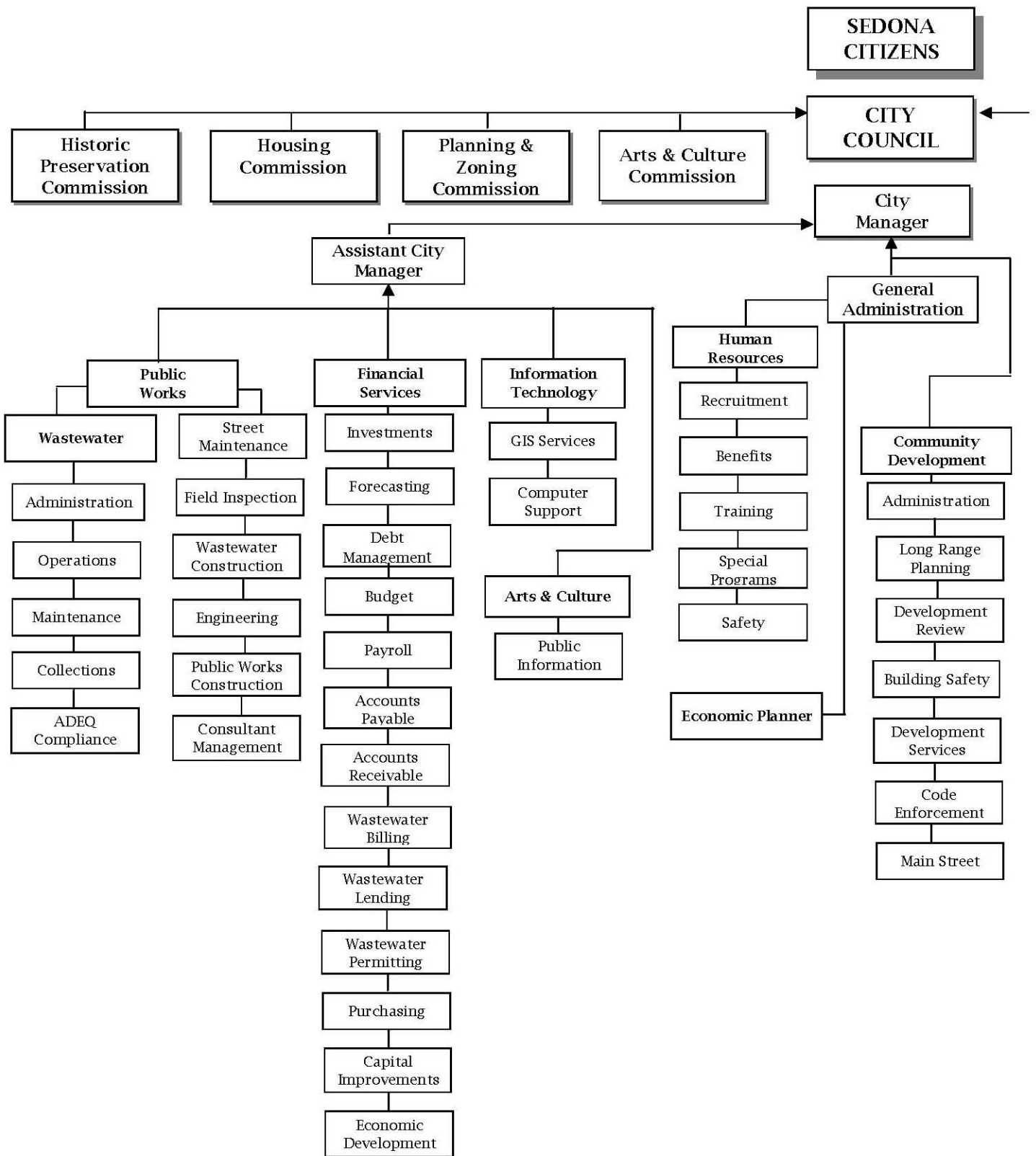
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

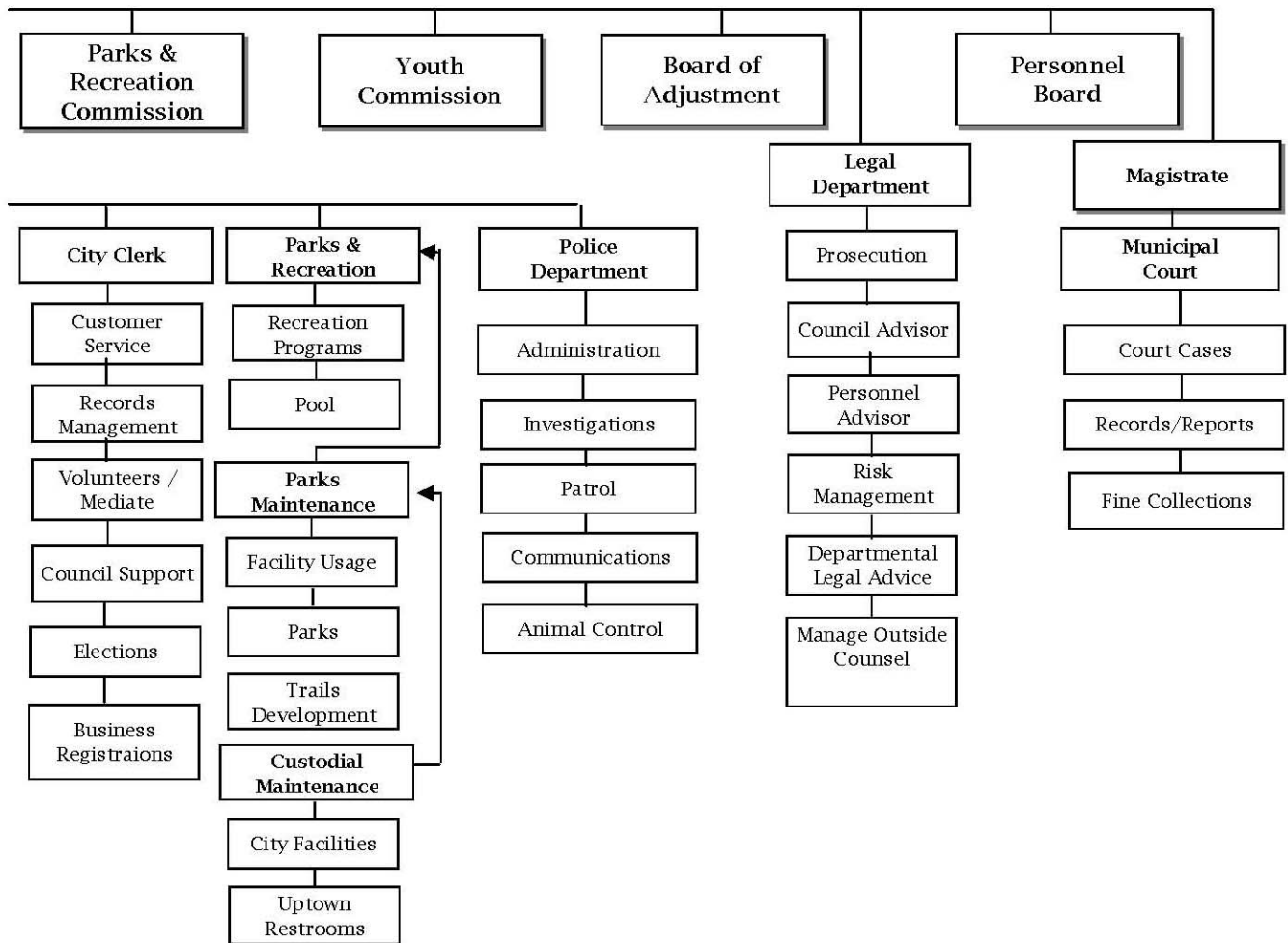


President

Executive Director







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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sedona, Arizona (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sedona, Arizona, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General and HURF Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2010 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The management's discussion and analysis on pages 17 - 24 and the Public Safety Personnel Retirement System Schedule of Funding Progress on page 64 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*LarsonAllen LLP*

**LarsonAllen LLP**

Mesa, Arizona  
January 6, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Sedona, Arizona (City), we offer this narrative overview and analysis of the financial activities of the City of Sedona, Arizona for the fiscal year ended June 30, 2009. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity (3) identify changes in the City's financial position (4) identify any material deviations from the financial plan (the approved annual budget), and (5) identify individual fund issues or concerns.

This discussion and analysis (MD&A) has a different focus and purpose than the transmittal letter presented on pages 1 - 7 of this report and is designed to be read in conjunction with the transmittal letter as well as the basic financial statements beginning on page 26 and the accompanying notes to the basic financial statements.

### Financial Highlights

- The City's net assets increased in our business-type activities by \$1.3 million, or nearly 2.2 percent, and decreased in our governmental activities by \$2.3 million, or nearly 5.0 percent.
- During the year, the City had expenses that were \$2.3 million more than the \$16.9 million generated in tax and other revenues for governmental activities. This was quite a change from last year, when revenues exceeded expenses by \$2.2 million. However the City believes the reason this occurred was related in part to the general decline in the local economy; i.e. construction activity, tourism and consumer spending all decreased. In addition, some of this was a planned use of capital fund reserve for capital projects.
- In the City's business-type activities, revenues decreased to \$10.0 million (or 7.8 percent) while expenses increased by approximately 5.1 percent. This was due to increased operational costs of the wastewater treatment plant.
- The resources available for appropriation were \$11.2 million budgeted for the General Fund.

### Using This Annual Report

The comprehensive annual financial report includes a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 26 and 27) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on page 28. For governmental activities, the statements demonstrate how the services the City provides are financed in the short-term as well as what remains for future spending. Fund financial statements for the City's proprietary funds report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

### The Statement of Net Assets and the Statement of Activities

The analysis of the City as a whole begins on page 26. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities"? The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Activities report the City's net assets and changes in net assets, respectively. 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. It is important to consider other non-financial factors, however, such as changes in the City's tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities - 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 - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's wastewater system facilities are reported here.

### **Fund Financial Statements**

The fund financial statements begin on page 28 and provide detailed information about the most significant funds; but do not include wastewater operations. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes (an example would be the Arts Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants and other money (an example would be the grants received from the U.S. Department of Housing and Urban Development). The City's two types of funds, governmental and proprietary, use different accounting approaches.

- Governmental funds - Most of the City's basic services are reported in governmental funds; the focus of which is the inflows and outflows of the funds and the balances remaining at year-end available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services provided. Governmental funds present financial resources that can be spent in the near future to finance the City's programs. A reconciliation between governmental activities (Statement of Net Assets and Statement of Activities) and governmental funds is presented in the fund financial statements.
- Proprietary funds - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported on the accrual basis of accounting. The City's enterprise fund (a component of proprietary funds) is the same as the business-type activity reported in the government-wide statements, but provides more detail and additional information, such as cash flows.



## The City as a Whole

The City's combined net assets decreased from \$103.1 million in 2008 to \$102.1 million in 2009. Our analysis below focuses on the City's net assets (Table 1) and the changes in net assets (Table 2) for governmental and business-type activities.

Table 1  
Condensed Statement of Net Assets  
As of June 30, 2009 and 2008

	Governmental Activities		Business-Type Activities		Total Government	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 27,439,096	\$ 30,610,248	\$ 32,375,168	\$ 40,015,936	\$ 59,814,264	\$ 70,626,184
Capital Assets						
Non-depreciable	6,960,501	6,960,501	11,159,413	11,159,413	18,119,914	18,119,914
Depreciable	23,735,087	23,327,991	82,782,032	76,067,039	106,517,119	99,395,030
Total Assets	<u>58,134,684</u>	<u>60,898,740</u>	<u>126,316,613</u>	<u>127,242,388</u>	<u>184,451,297</u>	<u>188,141,128</u>
Other Liabilities	2,212,647	2,261,549	11,484,914	10,306,448	13,697,561	12,567,997
Noncurrent Liabilities						
Due Within One Year	596,649	796,670	3,483,819	3,329,445	4,080,468	4,126,115
Due In More Than One Year	11,909,422	12,119,898	52,693,713	56,234,201	64,603,135	68,354,099
Total Liabilities	<u>14,718,718</u>	<u>15,178,117</u>	<u>67,662,446</u>	<u>69,870,094</u>	<u>82,381,164</u>	<u>85,048,211</u>
Invested in Capital Assets, Net of Related Debt	21,797,059	26,187,433	39,941,637	31,881,724	61,738,696	58,069,157
Restricted	10,987,109	7,688,303	100,818	587,477	11,087,927	8,275,780
Unrestricted	10,631,798	11,844,887	18,611,712	24,903,093	29,243,510	36,747,980
Total Net Assets	<u>\$ 43,415,966</u>	<u>\$ 45,720,623</u>	<u>\$ 58,654,167</u>	<u>\$ 57,372,294</u>	<u>\$ 102,070,133</u>	<u>\$ 103,092,917</u>

The total net assets of the City are \$102,070,133 at June 30, 2009 in governmental and business-type activities.

Net assets of the City's governmental activities decreased approximately 5.0 percent to \$43,415,966. Net assets of the City's business-type activities increased approximately 2.2 percent to \$58,654,167.

In the governmental activities, the invested in capital assets, net of related debt decreased due to spending prior year unspent bond proceeds on noncapitalized items and restricted net assets increased due to an increase in monies restricted for capital being carried forward.

Changes in the net assets are presented in Table 2 and are described following the presentation of Table 2.

**Table 2**  
**Changes in Net Assets**  
**Fiscal Years Ended June 30, 2009 and 2008**

	Governmental Activities		Business-Type Activities		Total Government	
	2009	2008	2009	2008	2009	2008
<b>REVENUES</b>						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 1,111,444	\$ 1,162,783	\$ 3,789,413	\$ 3,696,431	\$ 4,900,857	\$ 4,859,214
Operating Grants and Contributions	2,024,396	1,844,555	-	-	2,024,396	1,844,555
Capital Grants and Contributions	337,391	550,975	-	-	337,391	550,975
General Revenues:						
Local Taxes	9,328,388	9,542,649	5,435,186	5,683,318	14,763,574	15,225,967
State Revenue Sharing Grants and Contributions Not Restricted	3,100,818	3,128,880	-	-	3,100,818	3,128,880
Investment Earnings	166,503	1,795	-	-	166,503	1,795
Other	735,011	1,021,475	734,783	1,423,139	1,469,794	2,444,614
	77,585	42,556	-	-	77,585	42,556
<b>Total Revenues</b>	<b>16,881,536</b>	<b>17,295,668</b>	<b>9,959,382</b>	<b>10,802,888</b>	<b>26,840,918</b>	<b>28,098,556</b>
<b>EXPENSES</b>						
General Government	8,608,913	7,600,727	-	-	8,608,913	7,600,727
Public Safety	3,643,936	3,717,862	-	-	3,643,936	3,717,862
Highways and Streets	5,620,499	2,449,337	-	-	5,620,499	2,449,337
Culture and Recreation	1,037,534	1,058,508	-	-	1,037,534	1,058,508
Interest on Long-Term Debt	755,167	309,469	-	-	755,167	309,469
Wastewater	-	-	8,197,653	7,802,135	8,197,653	7,802,135
<b>Total Expenses</b>	<b>19,666,049</b>	<b>15,135,903</b>	<b>8,197,653</b>	<b>7,802,135</b>	<b>27,863,702</b>	<b>22,938,038</b>
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>						
	(2,784,513)	2,159,765	1,761,729	3,000,753	(1,022,784)	5,160,518
Transfers	479,856	-	(479,856)	-	-	-
<b>CHANGE IN NET ASSETS</b>	<b>(2,304,657)</b>	<b>2,159,765</b>	<b>1,281,873</b>	<b>3,000,753</b>	<b>(1,022,784)</b>	<b>5,160,518</b>
Net Assets - Beginning of Year	45,720,623	43,560,858	57,372,294	54,371,541	103,092,917	97,932,399
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 43,415,966</b>	<b>\$ 45,720,623</b>	<b>\$ 58,654,167</b>	<b>\$ 57,372,294</b>	<b>\$ 102,070,133</b>	<b>\$ 103,092,917</b>

### Governmental and Business-Type Activities

The City's total revenues decreased 4.5 percent, with expenses increasing by approximately 21.47 percent.

In the governmental activities, total revenues decreased by approximately 2.4 percent. The expenses in governmental activities increased by approximately 29.9 percent due to completion of projects in the prior year, work on the State Route 179 project and completion of projects utilizing bond funds incurred in the prior fiscal year. In addition some projects were deferred for a later start.

In the business-type activities, total revenues decreased approximately 7.8 percent. Fewer connections were required for the City's sewer system, which reduced capacity fee revenues. Total expenses increased approximately 5.1 percent due to increases in operational costs of the wastewater treatment plant (salaries and maintenance), in depreciation on capital assets, and in interest expense. As a result of increased maintenance at the wastewater treatment plant, the City experienced an increase in capital assets.

## THE CITY'S FUND

As the City completed the year, the governmental funds (as presented in the balance sheet on page 28) reported a *combined* fund balance of \$24.0 million. 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds.

As of the end of the current fiscal year, the City's governmental fund balances were as follows:

Fund	Balance	Increase (Decrease) From 2007-08
General Fund	\$ 9,468,179	\$ (805,256)
Highway User Revenue Fund	1,851,271	(575,328)
Capital Improvement Fund	7,937,765	(1,988,102)
Nonmajor Governmental Funds	4,700,322	257,748

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$9,468,179, while total fund balance for the governmental funds reached \$23,957,537.

The fund balance of the City of Sedona, Arizona's General Fund decreased by \$805,256 during the current fiscal year. Revenues decreased approximately 3.5 percent including City sales tax collections, court fines and interest. Expenditures increased by 8.0 percent. The expenses increased due to the continued rising costs of providing general government services, including salary increases, maintenance costs, public safety, and contributions to the Arts.

The Highway User Revenue Fund is required by state statute to track the state allocation of gasoline taxes and other state revenues shared with local governments and required to be used for transportation purposes. Revenue in this fund decreased \$181,015 in fiscal year 2009; expenditures increased \$274,332 from the prior year. The changes were due to the decreases in state shared revenues and major projects being increased and completed within the fiscal year.

The Capital Improvement Fund fund balance as of June 30, 2009 in this fund is \$7,937,765; expenditures for fiscal year 2009 were \$4,048,501 and \$2,439,489 in fiscal year 2008. The decrease in fund balance is due to use of Series 2007 Excise Tax Obligations proceeds for City infrastructure. These funds will be used in future years for budgeted projects identified in the bond statement.

All nonmajor governmental funds of the City are combined into one column on the governmental fund statements. The fund balance for the Non-major Governmental Funds increased by \$257,748 during the fiscal year. This was due to several Capital projects being rescheduled for future dates. At this time, the City does expect to use these funds to partially fund these projects. The City also received the first payment of a new fee initiated due to completion of a development, which will be ongoing at an average level in the future.

## General Fund Budgetary Highlights

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison statements are required for the General Fund and all major special revenue funds and may be found on pages 32 - 33. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

General Fund revenues of \$11,241,267, on a budgetary basis, were greater than the budget of \$11,207,571 by \$33,696 while budgetary basis expenditures of \$12,504,208 were 94.1% of budgeted expenditures (savings of \$780,046). The variance in the budget to actual revenues was not significant; however, the variance in the budget to actual expenditures was the result of 1) expenditures for Human Resources falling below budget by \$104,495 due to no increases for the health insurance premiums in the Verde Valley Employee Benefit Pool; 2) expenditures for the Community Development department falling below budget by \$372,580 due to a re-scheduling of the Re-Development project; 3) expenditures in General Services falling below budget by \$332,118 due to the spendable contingency not being used. The original budget anticipated use of approximately \$2.0 million in general fund reserves.

There were no amendments to the budget during the fiscal year.

## Capital Asset and Debt Administration

### Capital Assets

At June 30, 2009, the City had \$124.6 million invested in a broad range of capital assets, including police equipment, buildings, park facilities, roads, bridges, and sewer lines. (See Table 3 below). This amount represents a net change (including additions and deductions) of approximately \$7.1 million, or 6.1 percent, over last year.

Table 3  
Capital Assets at June 30, 2009 and 2008  
(Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 6,960,501	\$ 6,960,501	\$ 11,159,413	\$ 11,159,413	\$ 18,119,914	\$ 18,119,914
Land Improvements	2,588,291	2,576,544	-	-	2,588,291	2,576,544
Buildings and Improvements	5,215,956	5,143,171	-	-	5,215,956	5,143,171
Machinery, Equipment and Vehicles	1,630,393	1,312,658	522,727	539,593	2,153,120	1,852,251
Infrastructure	14,300,447	14,295,618	-	-	14,300,447	14,295,618
Wastewater System	-	-	82,259,305	75,527,446	82,259,305	75,527,446
Total Capital Assets	<u>\$ 30,695,588</u>	<u>\$ 30,288,492</u>	<u>\$ 93,941,445</u>	<u>\$ 87,226,452</u>	<u>\$ 124,637,033</u>	<u>\$ 117,514,944</u>

This year's major additions included:

Addition of Streets/Infrastructure	\$ 463,598
Park & Trail Improvements	101,597
City Hall Plaza & other property improvements	2,111,938
New & Used Vehicles (10)	223,607
New Hardware & Software Purchases	521,123
Machinery and Equipment	238,048
Extension of Sewer Lines	6,931,201

The City's fiscal year 2010 capital budget calls for the City to spend another \$5.2 million for capital projects. This includes completion of on-going projects as well as new projects. The City continues to update and review the long-term financial plan. Staff and City Council are continuing the process of evaluating and prioritizing capital and programming needs and identifying possible funding strategies for those priorities. This long-term strategy will assist the City in developing programs and funding capital projects in a way to maintain a financially stable environment in the City for years to come. More detailed information about the City's capital assets is presented in Notes 1 and 3 to the financial statements.

**Debt**

At June 30, 2009 the City had \$68,566,307 in long-term obligations outstanding versus \$72,703,511 last year - a decrease of 5.2 percent - as shown in the following Table 4.

Table 4  
Capital Debt at June 30, 2009 and 2008

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenue Bonds (Excluding Deferred Amounts on Refunding)	\$ 12,320,000	\$ 12,640,000	\$ -	\$ -	\$ 12,320,000	\$ 12,640,000
Loan	-	-	55,110,000	58,300,000	55,110,000	58,300,000
Special Assessment Debt with Government Commitment	-	260,000	726,967	848,128	726,967	1,108,128
Capital Lease	107,279	-	-	-	107,279	-
Compensated Absences	277,024	235,509	25,037	19,874	302,061	255,383
Total Outstanding Debt	<u>\$ 12,704,303</u>	<u>\$ 13,135,509</u>	<u>\$ 55,862,004</u>	<u>\$ 59,168,002</u>	<u>\$ 68,566,307</u>	<u>\$ 72,303,511</u>

The current year decrease in outstanding debt is attributable to repayment of all prior issuances of Excise Tax Obligations for City infrastructure and not incurring any new debt in the current fiscal year. Further detail on the City's outstanding debt may be found in Notes 3.C. and D. on pages 52 - 58 in the notes to the basic financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Sedona, Arizona as well as all 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.

The City is committed to maintaining cash reserves at a 50% level over the next few years, both for financial stability and in anticipation of the capital and ongoing operational needs of the community. Fiscal year 2009-2010 budgeted General Fund expenditures (including inter-fund transfers) are approximately \$1.0 million more than budgeted revenue; which will be deducted from the fiscal year fund balance. The adopted fiscal year 2009-2010 budget is \$44,522,917, which includes capital projects of \$5.2 million. The budget for fiscal year 2009-2010 also includes:

- Continued participation in Destination Marketing in partnership with the Sedona Chamber of Commerce in order to improve the City's overnight stays.
- Contracting with the Northern Arizona Intergovernmental Public Transit Authority (NAIPTA) to implement and operate a Public Transit System.
- Continuation of Drainage Improvements, as per the City's Storm Water Master Plan.
- Continue work with the Arizona Department of Transportation (ADOT) on State Route 179 Improvements. The SR 179 project is now within the City limits through completion of the project.
- Continued strategies to improve traffic circulation based on completed studies.
- Long-term financial planning.

### **Financial Contact**

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the government'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, Arizona 86336  
(928) 204-7185

Or visit our website at:

[www.SedonaAz.Gov](http://www.SedonaAz.Gov)

## **Basic Financial Statements**

**CITY OF SEDONA, ARIZONA  
STATEMENT OF NET ASSETS  
JUNE 30, 2009**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and Investments	\$ 24,208,148	\$ 25,482,590	\$ 49,690,738
Cash with Paying Agent	601,571	4,149,125	4,750,696
Receivables, Net:			
Accounts Receivable	424,535	445,973	870,508
Capacity Fees Receivable	-	89,526	89,526
Intergovernmental Receivable	1,874,399	1,137,635	3,012,034
Interest Receivable	55,902	34,889	90,791
Deferred Charges	274,541	934,612	1,209,153
Restricted Assets	-	100,818	100,818
Capital Assets:			
Non-Depreciable	6,960,501	11,159,413	18,119,914
Depreciable	23,735,087	82,782,032	106,517,119
Total Assets	58,134,684	126,316,613	184,451,297
<b>LIABILITIES</b>			
Accounts Payable	1,113,750	1,263,812	2,377,562
Accrued Wages and Benefits	199,829	32,800	232,629
Interest Payable	281,571	5,938,238	6,219,809
Unearned Revenue	297,497	1,183,903	1,481,400
Matured Debt Principal Payable	320,000	3,066,161	3,386,161
Noncurrent Liabilities:			
Due Within One Year	596,649	3,483,819	4,080,468
Due in More Than One Year	11,909,422	52,693,713	64,603,135
Total Liabilities	14,718,718	67,662,446	82,381,164
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	21,797,059	39,941,637	61,738,696
Restricted for:			
Highways and Streets	1,851,271	-	1,851,271
Renewal and Replacement	-	100,818	100,818
Capital Outlay	9,064,732	-	9,064,732
Other	71,106	-	71,106
Unrestricted	10,631,798	18,611,712	29,243,510
Total Net Assets	\$ 43,415,966	\$ 58,654,167	\$ 102,070,133

See accompanying Notes to the Basic Financial Statements.



**CITY OF SEDONA, ARIZONA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 8,608,913	\$ 705,542	\$ 1,014	\$ 146,125	\$ (7,756,232)	\$ -	\$ (7,756,232)
Public Safety	3,643,936	96,472	1,069,694	1,266	(2,476,504)	-	(2,476,504)
Highways and Streets	5,620,499	200,290	953,588	164,630	(4,301,991)	-	(4,301,991)
Culture and Recreation	1,037,534	103,587	100	25,370	(908,477)	-	(908,477)
Interest and Fiscal Charges	755,167	5,553	-	-	(749,614)	-	(749,614)
Total Governmental Activities	<u>19,666,049</u>	<u>1,111,444</u>	<u>2,024,396</u>	<u>337,391</u>	<u>(16,192,818)</u>	<u>-</u>	<u>(16,192,818)</u>
Business-Type Activities:							
Wastewater	8,197,653	3,789,413	-	-	-	(4,408,240)	(4,408,240)
Total Business-Type Activities	<u>8,197,653</u>	<u>3,789,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,408,240)</u>	<u>(4,408,240)</u>
Total Primary Government	<u>\$ 27,863,702</u>	<u>\$ 4,900,857</u>	<u>\$ 2,024,396</u>	<u>\$ 337,391</u>	<u>\$ (16,192,818)</u>	<u>\$ (4,408,240)</u>	<u>\$ (20,601,058)</u>
General Revenues:							
Taxes							
Sales Taxes					8,097,544	5,435,186	13,532,730
Special CFD Tax					569,667	-	569,667
Franchise Taxes					661,177	-	661,177
State Revenue Sharing					1,637,088	-	1,637,088
State Sales Tax Revenue Sharing					870,023	-	870,023
Auto Lieu Tax Revenue Sharing					593,707	-	593,707
Grants and Contributions Not Restricted					166,503	-	166,503
Investment Earnings					735,011	734,783	1,469,794
Other					77,585	-	77,585
Transfers					479,856	(479,856)	-
Total General Revenues and Transfers					<u>13,888,161</u>	<u>5,690,113</u>	<u>19,578,274</u>
Change in Net Assets					<u>(2,304,657)</u>	<u>1,281,873</u>	<u>(1,022,784)</u>
Net Assets - Beginning					<u>45,720,623</u>	<u>57,372,294</u>	<u>103,092,917</u>
Net Assets - Ending					<u>\$ 43,415,966</u>	<u>\$ 58,654,167</u>	<u>\$ 102,070,133</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF SEDONA, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

Assets	General	HURF	Capital Improvement	Nonmajor Governmental Funds	Totals
Cash and Cash Equivalents	\$ 8,223,389	\$ 1,794,714	\$ 9,332,830	\$ 4,857,215	\$ 24,208,148
Cash with Paying Agent	601,571	-	-	-	601,571
Receivables, Net					
Accounts Receivable	285,723	1,272	104,363	33,177	424,535
Intergovernmental Receivable	1,295,752	86,956	-	491,691	1,874,399
Interest Receivable	9,678	5,364	30,868	9,992	55,902
Due from Other Funds	303,439	-	-	-	303,439
Total Assets	<u>\$ 10,719,552</u>	<u>\$ 1,888,306</u>	<u>\$ 9,468,061</u>	<u>\$ 5,392,075</u>	<u>\$ 27,467,994</u>
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	\$ 202,215	\$ 31,186	\$ 520,468	\$ 359,881	\$ 1,113,750
Accrued Wages and Benefits	187,362	5,849	1,132	5,486	199,829
Interest Payable	281,571	-	-	-	281,571
Due to Other Funds	-	-	-	303,439	303,439
Deferred Revenue	-	-	993,696	675	994,371
Unearned Revenue	260,225	-	15,000	22,272	297,497
Matured Debt Principal Payable	320,000	-	-	-	320,000
Total Liabilities	<u>1,251,373</u>	<u>37,035</u>	<u>1,530,296</u>	<u>691,753</u>	<u>3,510,457</u>
Fund Balances					
Unreserved	9,468,179	1,851,271	7,937,765	-	19,257,215
Unreserved; Reporting in Nonmajor:					
Special Revenue Funds	-	-	-	1,953,180	1,953,180
Debt Service Fund	-	-	-	(1,923)	(1,923)
Capital Projects Funds	-	-	-	2,749,065	2,749,065
Total Fund Balance	<u>9,468,179</u>	<u>1,851,271</u>	<u>7,937,765</u>	<u>4,700,322</u>	<u>23,957,537</u>
Total Liabilities and Balance	<u>\$ 10,719,552</u>	<u>\$ 1,888,306</u>	<u>\$ 9,468,061</u>	<u>\$ 5,392,075</u>	<u>\$ 27,467,994</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF SEDONA, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2009**

Fund Balances - Total Governmental Funds \$ 23,957,537

Amounts reported for governmental activities in the statement of net assets 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	41,349,514
Less Accumulated Depreciation	<u>(10,653,926)</u>
Capital Assets Used in Governmental Activities	<u>30,695,588</u>

Other long-term assets are not available to pay for current-period expenditures and are not susceptible to accrual. 994,371

Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Revenue Bonds	(12,320,000)
Deferred Amount on Refunding	469,906
Deferred Amount on Premium	(271,674)
Capital Leases	(107,279)
Compensated Absences	(277,024)
Deferred Charges for Bond Issuance Costs	<u>274,541</u>

Net Assets of Governmental Activities \$ 43,415,966

**CITY OF SEDONA, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2009**

	General Fund	HURF	Capital Improvement	Nonmajor Governmental Funds	Totals
<b>Revenue</b>					
<b>Taxes</b>					
Sales Taxes	\$ 6,128,273	\$ -	\$ 1,969,271	\$ -	\$ 8,097,544
Special CFD Tax	-	-	-	569,667	569,667
Franchise Taxes	661,177	-	-	-	661,177
Intergovernmental	3,110,318	953,588	166,503	1,232,955	5,463,364
Fines and Forfeits	268,848	-	-	-	268,848
Licenses and Permits	212,366	-	-	-	212,366
Charges for Services	161,103	-	-	-	161,103
Rents and Royalties	3,362	-	-	-	3,362
Contributions and Donations	100	-	-	1,014	1,114
Impact Fees	-	-	-	302,216	302,216
Special Assessments	-	-	-	163,266	163,266
Investment Earnings	478,866	84,813	83,405	87,928	735,012
Other	216,854	-	3,197	15,530	235,581
<b>Total Revenue</b>	<b>11,241,267</b>	<b>1,038,401</b>	<b>2,222,376</b>	<b>2,372,576</b>	<b>16,874,620</b>
<b>Expenditures</b>					
<b>Current</b>					
General Government	7,514,122	-	603,322	791,541	8,908,985
Public Safety	2,667,790	-	148,321	820,380	3,636,491
Highways and Streets	379,492	1,613,729	3,296,858	298,139	5,588,218
Culture and Recreation	1,056,921	-	-	112,393	1,169,314
<b>Debt Service</b>					
Principal Retirement	326,753	-	-	260,000	586,753
Interest on Long-Term Debt	559,130	-	-	130,555	689,685
<b>Total Expenditures</b>	<b>12,504,208</b>	<b>1,613,729</b>	<b>4,048,501</b>	<b>2,413,008</b>	<b>20,579,446</b>
<b>Excess (Deficiency) of Revenue     Over Expenditures</b>	<b>(1,262,941)</b>	<b>(575,328)</b>	<b>(1,826,125)</b>	<b>(40,432)</b>	<b>(3,704,826)</b>
<b>Other Finance Sources (Uses)</b>					
Transfers In	479,856	-	103,272	298,180	881,308
Transfers Out	(136,203)	-	(265,249)	-	(401,452)
Proceeds from Capital Lease	114,032	-	-	-	114,032
<b>Total Other Finance Sources (Uses)</b>	<b>457,685</b>	<b>-</b>	<b>(161,977)</b>	<b>298,180</b>	<b>593,888</b>
<b>Net Change in Fund Balance</b>	<b>(805,256)</b>	<b>(575,328)</b>	<b>(1,988,102)</b>	<b>257,748</b>	<b>(3,110,938)</b>
<b>Fund Balance</b>					
Beginning of Year	10,273,435	2,426,599	9,925,867	4,442,574	27,068,475
End of Year	<b>\$ 9,468,179</b>	<b>\$ 1,851,271</b>	<b>\$ 7,937,765</b>	<b>\$ 4,700,322</b>	<b>\$ 23,957,537</b>

See accompanying Notes to the Basic Financial Statements.

**CITY OF SEDONA, ARIZONA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2009**

Net Change in Fund Balances - Total Governmental Funds \$ (3,110,938)

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	2,126,325
Less Current Year Depreciation	<u>(1,717,115)</u>
Excess Capital Expenditures Over Depreciation	<u>409,210</u>

The statement of activities reports losses arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on disposals of capital assets. (2,114)

Some revenues reported in the governmental funds that did not provide current financial resources in prior years have been recognized previously in the statement of activities and therefore are not reported as revenues in the statement of activities.

Special Assessments Recognized	(157,713)
Deferred Capital Revenues Recognized	164,630

The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The issuance of long term debt increases long term liabilities on the statement of net assets and the repayment of principal on long term debt reduces long term debt on the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these items are deferred and amortized over the term of the long term debt in the statement of activities.

Principal Payments on Long-Term Debt	580,000
Principal Payments on Capital Lease	6,753
Amortization of Deferred Amounts on Refunding	(47,253)
Amortization of Deferred Amount on the Premium	26,544
Amoritzation of Issuance Costs	(18,229)
Proceeds of capital lease	(114,032)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Net Increase in Compensated Absences	<u>(41,515)</u>
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Change in Net Assets of Governmental Activities \$ (2,304,657)

See accompanying Notes to the Basic Financial Statements.

**CITY OF SEDONA, ARIZONA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts Original and Final	Actual	Variance with Final Budget
Revenue			
Taxes	\$ 6,824,458	\$ 6,789,450	\$ (35,008)
Intergovernmental	3,210,226	3,110,318	(99,908)
Fines and Forfeits	353,163	268,848	(84,315)
Licenses and Permits	175,706	212,366	36,660
Charges for Services	109,783	161,103	51,320
Rents and Royalties	2,730	3,362	632
Contributions and Donations	-	100	100
Investment Earnings	454,500	478,866	24,366
Other	77,005	216,854	139,849
Total Revenue	<u>11,207,571</u>	<u>11,241,267</u>	<u>33,696</u>
Expenditures			
Current			
General Government			
City Council	102,490	81,986	20,504
City Manager	464,547	363,921	100,626
Human Resources	1,792,895	1,688,400	104,495
Finance	206,620	189,711	16,909
Information Technology	495,868	414,843	81,025
Legal	480,773	441,846	38,927
City Clerk	233,117	210,819	22,298
Community Development	1,680,161	1,307,581	372,580
Magistrate Court	350,377	336,157	14,220
General Services	2,810,976	2,478,858	332,118
Total General Government	<u>8,617,824</u>	<u>7,514,122</u>	<u>1,103,702</u>
Public Safety			
Police	2,803,514	2,667,790	135,724
Total Public Safety	<u>2,803,514</u>	<u>2,667,790</u>	<u>135,724</u>
Highways and Streets			
Public Works	471,771	379,492	92,279
Total Highways and Streets	<u>471,771</u>	<u>379,492</u>	<u>92,279</u>
Culture and Recreation			
Parks and Recreation	788,617	770,865	17,752
Arts and Culture	286,744	286,056	688
Total Culture and Recreation	<u>1,075,361</u>	<u>1,056,921</u>	<u>18,440</u>
Debt Service			
Principal Retirement	-	326,753	(326,753)
Interest on Long-Term Debt	315,784	559,130	(243,346)
Total Expenditures	<u>13,284,254</u>	<u>12,504,208</u>	<u>780,046</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(2,076,683)</u>	<u>(1,262,941)</u>	<u>813,742</u>
Other Finance Sources (Uses)			
Transfers In	205,000	479,856	274,856
Transfers Out	(114,391)	(136,203)	(21,812)
Proceeds from Capital Lease	-	114,032	114,032
Total Other Finance Sources (Uses)	<u>90,609</u>	<u>457,685</u>	<u>367,076</u>
Net Change in Fund Balance	<u>(1,986,074)</u>	<u>(805,256)</u>	<u>1,180,818</u>
Fund Balance			
Beginning of Year	1,986,074	10,273,435	8,287,361
End of Year	<u>\$ -</u>	<u>\$ 9,468,179</u>	<u>\$ 9,468,179</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF SEDONA, ARIZONA  
HURF FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental	\$ 1,042,832	\$ 953,588	\$ (89,244)
Investment Earnings	96,605	84,813	(11,792)
Total Revenue	<u>1,139,437</u>	<u>1,038,401</u>	<u>(101,036)</u>
Expenditures			
Current			
Highways and Streets	1,974,001	1,613,729	360,272
Total Expenditures	<u>1,974,001</u>	<u>1,613,729</u>	<u>360,272</u>
Excess (Deficiency) of Revenue Over Expenditures	(834,564)	(575,328)	259,236
Fund Balance			
Beginning of Year	834,564	2,426,599	1,592,035
End of Year	<u>\$ -</u>	<u>\$ 1,851,271</u>	<u>\$ 1,851,271</u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF SEDONA, ARIZONA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2009**

		<u>Business-Type Activities - Enterprise Fund</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$	25,482,590
Cash with Paying Agent		4,149,125
Receivables, Net		
Accounts Receivable		445,973
Capacity Fees Receivable		89,526
Intergovernmental Receivable		1,137,635
Interest Receivable		34,889
Deferred Charges		934,612
Restricted Assets		100,818
Total Current Assets		<u>32,375,168</u>
Noncurrent Assets		
Capital Assets		
Non-Depreciable		11,159,413
Depreciable (Net)		82,782,032
Total Noncurrent Assets		<u>93,941,445</u>
Total Assets	\$	<u><u>126,316,613</u></u>
Liabilities		
Current Liabilities		
Accounts Payable		1,263,812
Accrued Wages and Benefits		32,800
Interest Payable		5,938,238
Unearned Revenue		1,183,903
Matured Debt Principal Payable		3,066,161
Compensated Absences		22,658
Bonds, Notes and Loans Payable		3,461,161
Total Current Liabilities		<u>14,968,733</u>
Noncurrent Liabilities		
Compensated Absences		2,379
Bonds, Notes and Loans Payable		52,691,334
Total Noncurrent Liabilities		<u>52,693,713</u>
Total Liabilities		67,662,446
Net Assets		
Invested in Capital Assets, Net of Related Debt		39,941,637
Restricted for		
Renewal and Replacement		100,818
Unrestricted		18,611,712
Total Net Assets		<u><u>58,654,167</u></u>

See accompanying Notes to the Basic Financial Statements.



**CITY OF SEDONA, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET ASSETS**  
**PROPRIETARY FUND**  
**FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Business-Type Activities - Enterprise Fund</u>
Operating Revenue	
Charges for Services	\$ 3,326,378
Total Operating Revenue	<u>3,326,378</u>
 Operating Expenses	
Cost of Sales and Services	2,874,549
Depreciation	<u>2,244,820</u>
Total Operating Expenses	<u>5,119,369</u>
 Operating income (loss)	 <u>(1,792,991)</u>
 Nonoperating Revenue (Expense)	
Taxes	5,435,186
Capacity Fees	455,085
Investment Earnings	734,783
Interest on Long-Term Debt	(2,950,026)
Issuance Costs	(128,258)
Miscellaneous Nonoperating Revenues	<u>7,950</u>
 Total Nonoperating Revenue (Expenses)	 <u>3,554,720</u>
 Income Before Capital Contributions and Transfers	 1,761,729
 Transfers Out	 <u>(479,856)</u>
 Change in Net Assets	 1,281,873
 Net Assets	
Beginning of Year	<u>57,372,294</u>
End of Year	<u><u>\$ 58,654,167</u></u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF SEDONA, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Business-Type Activities - Enterprise Fund</u>
Cash Flows from Operating Activities	
Receipts from Customers	\$ 3,317,504
Payments to Suppliers	(656,080)
Payments to employees	(1,197,686)
Capacity Fees	473,213
Other Receipts	7,950
Net Cash Flows from Operating Activities	<u>1,944,901</u>
Cash Flows from Noncapital Financing Activities	
Transfer Out	(479,856)
Tax Receipts	5,435,186
Net Cash Flows from Noncapital Financing Activities	<u>4,955,330</u>
Cash Flows from Capital and Financing Activities	
Purchases of Capital Assets	(8,959,813)
Principal Paid on Capital Debt	(3,566,162)
Interest Paid on Capital Debt	(2,606,681)
Intergovernmental Payments Received	187,921
Net Cash Flows from Capital and Related Financing Activities	<u>(14,944,735)</u>
Cash Flows from Investing Activities	
Investment Loss (Net)	737,413
Net Cash Flows from Investing Activities	<u>737,413</u>
Net Change in Cash and Cash Equivalents	(7,307,091)
Cash and Cash Equivalents, Beginning of Year	<u>37,039,624</u>
Cash and Cash Equivalents, End of Year	<u><u>29,732,533</u></u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets	
Cash and Cash Equivalents	\$ 25,482,590
Cash with Paying Agent	4,149,125
Restricted Assets	100,818
Total Cash and Cash Equivalents	<u><u>\$ 29,732,533</u></u>

See accompanying Notes to the Basic Financial Statements.

**CITY OF SEDONA, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Business-Type Activities - Enterprise Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (1,792,991)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	2,244,820
Capacity fees	473,213
Nonoperating Receipts (Payments)	7,950
Change in Assets/Liabilities:	
Receivables, Net	(8,874)
Accounts Payable	1,012,259
Accrued Payroll and Related Benefits	3,361
Compensated Absences	5,163
	\$ 1,944,901

Noncash Investing, Capital and Financing Activities

During the fiscal year ended June 30, 2009, the City amortized \$178,514 of deferred amounts on the refundings, \$128,258 of issue costs and \$258,630 of bond premiums.

*See accompanying Notes to the Basic Financial Statements.*

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**CITY OF SEDONA, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the City of Sedona, Arizona (City) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the City's more significant accounting policies follows.

**A. Reporting Entity**

The City is a municipal government that is governed by an elected governing body. It is legally separate from and fiscally independent of other state and local governments. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations.

Included within the reporting entity:

*Sedona Wastewater Municipal Property Corporation.* 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 sole 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 Sedona Wastewater Municipal Property Corporation's bonds.

*Fairfield and Summit II Community Facilities Districts.* The Fairfield and Summit II Community Facilities Districts were formed for the purposes of providing general infrastructure and capital assets. As special purpose districts and separate political subdivisions under the Arizona Constitution, the Districts can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed a special CFD tax for the costs of operating the Districts, as defined in the individual development agreements. The City Council serves as the Boards of Directors of the Districts. For financial reporting purposes, transactions of the Districts are combined with and included as if they were a part of the City's operations.

Separate financial statements are not prepared for the above blended component units.

**CITY OF SEDONA, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity, with the exception of interfund services provided and used, has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements and the 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as 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 recorded only when payment is due.

**CITY OF SEDONA, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)**

Intergovernmental grants and aid, 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 required to be accounted for in another fund.

The *Highway Users Revenue Fund* (HURF) accounts for the operations of the street maintenance department. Financing is provided by the City's share of state gasoline taxes. State law requires these gasoline taxes be used to maintain streets.

The *Capital Improvement Fund* accounts for the City's major capital projects and engineering studies.

The City reports the following major proprietary fund:

The *Wastewater Fund* accounts for the costs to operate, construct and finance the City's wastewater treatment system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**CITY OF SEDONA, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available to use for governmental activities, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. For business-type activities, the use of restricted resources is governed by the applicable bond covenants.

**D. Assets, Liabilities, and Net Assets or Equity**

**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, and highly liquid investments with maturities of three months or less from the date of acquisition.

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on the average daily cash balances. The City Council-approved investment policy authorizes the City to invest in obligations of the U.S. government which do not exceed three years in maturity and are guaranteed by the U.S. Treasury; certificates of deposit or other deposits in FDIC insured banks; obligations of FNMA and FHMA which mature the next business day; repurchase agreements of less than \$5,000 which mature on the next business day; and the Local Government Investment Pools managed by the State Treasurer. Additionally, the trustee of the City's employee retirement plan holds certain City funds in a money market mutual fund.

**2. Receivables**

All trade receivables are shown net of an allowance for uncollectibles.



**CITY OF SEDONA, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**3. Short-Term Interfund Receivables/Payables**

During the course of operations, individual funds within the City's pooled cash accounts may borrow money from the other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

**4. Inventories**

Inventories consist of expendable supplies held for consumption. Inventories are recorded as expenditures at the time of purchase, and because the amounts on hand at June 30, 2009 were immaterial, they are not included in the balance sheet.

**5. Restricted Assets**

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

**6. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year.

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

**CITY OF SEDONA, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**6. Capital Assets (Continued)**

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Buildings	30 years
Improvements other than buildings	6 to 50 years
Infrastructure	20 to 50 years
Wastewater plant	6 to 50 years
Wastewater lines	50 years
Machinery, equipment and vehicles	3 to 6 years

**7. Compensated Absences**

The liability for compensated absences reported in the government-wide and proprietary statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**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 fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF SEDONA, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**9. Net Assets**

In the government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt is separately reported because capital assets make up a significant portion of total net assets. Restricted net assets account for the portion of net assets restricted by parties outside the City. Unrestricted net assets are the remaining net assets not included in the previous two categories.

**10. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**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 an ordinance. 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 basic financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).

**CITY OF SEDONA, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**A. Budgetary Information (Continued)**

4. Expenditures may not legally exceed the expenditure limitation described below of all fund types as a whole. The City adopts a budget by department for the General Fund and in total by fund for other funds. The City Manager may at any time transfer up to 5% of any unencumbered appropriation balance or portion thereof between departments of the General Fund or from a department of the General Fund to other funds. Other than the 5% mentioned above, the adopted budget cannot be amended in any way without City Council approval.
  
5. Formal budgetary integration is employed as a management control device during the year for all funds (except for the Property Management and Carruth Funds) on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The City is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. 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.

No supplementary budgetary appropriations were necessary during the year.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

Deposits and investments at June 30, 2009 consist of the following:

Deposits	
Cash on Hand	\$ 1,600
Cash in Bank	2,361,502
Cash on Deposit with Paying Agent	4,750,696
Investments	
State Treasurer's Investment Pool	39,118,807
U.S. Treasury Notes	<u>8,309,647</u>
Total Deposits and Investments	54,542,252
Cash with Paying Agent	(4,750,696)
Restricted Assets	<u>(100,818)</u>
Total Cash and Cash Equivalents	<u><u>\$ 49,690,738</u></u>

**CITY OF SEDONA, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

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

**Deposits** - The City's deposits at June 30, 2009, were entirely covered by federal depository insurance or by collateral held by the City's custodial bank in the City's name. The City's deposits are not subject to any custodial credit risk.

**Investments** - The State Board of Deposit 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. In addition, the money market mutual fund is not subject to custodial credit risk.

The City's other investments consisted of \$39,118,807 in the State Treasurer's Local Government Investment Pool, and \$8,309,647 in U.S. Treasury Bills which are held by the trustee in the City's name, and are reflected in each applicable fund.

*Credit risk.* The City does not have a policy related to credit risk. The City's deposits and investments consist of U.S. Treasury Notes and the State Treasurer's Investment Pool; and therefore, limits its exposure to any credit risk. The City's investment in the State Treasurer's investment pool did not receive a credit quality rating from a national rating agency.

*Interest rate risk.* In accordance with the City's investment policy, the government manages its exposure to declines in fair values by limiting its investments to maturities of six months or less.

The City's investments at June 30, 2009 consist of the following:

Investment	Maturity		
	Less than 1 year	1-3 years	Total
State Treasurer's Investment Pool	39,118,807	-	39,118,807
U.S. Treasury Notes	-	8,309,647	8,309,647
	<u>\$ 39,118,807</u>	<u>\$ 8,309,647</u>	<u>\$ 47,428,454</u>

**CITY OF SEDONA, ARIZONA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**2. Restricted Assets**

Restricted assets in the Enterprise Fund at June 30, 2009 consisted of the following:

Renewal and replacement	<u>\$ 100,818</u>
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**3. Receivables**

The City's Wastewater Fund has an intergovernmental financial assistance agreement from the Water Infrastructure Authority of Arizona dated August 1, 2001 to receive benefits totaling \$3,431,827 through July 1, 2019. As of June 30, 2009 the remaining balance of the agreement was \$1,137,635. Future year benefits to be received by the City under this agreement are as follows:

Year Ending June 30,	<u>Wastewater Fund</u>
2010	\$ 174,127
2011	159,755
2012	144,780
2013	129,177
2014	112,918
2015-19	<u>416,878</u>
	<u>\$ 1,137,635</u>

**CITY OF SEDONA, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**3. Receivables (Continued)**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition 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 revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Cash Payments not Meeting all Eligibility Requirements (General Fund)	\$ -	\$ 260,225
Cash Payments not Meeting all Eligibility Requirements (Capital Improvement Fund)	993,696	15,000
Cash Payments not Meeting all Eligibility Requirements (Nonmajor Governmental Funds)	675	22,272
Special Assessments not Yet Due (Nonmajor Governmental Funds)	-	-
	\$ 994,371	\$ 297,497

**CITY OF SEDONA, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 6,960,501	\$ -	\$ -	\$ 6,960,501
Total Capital Assets, Not Being Depreciated	<u>6,960,501</u>	<u>-</u>	<u>-</u>	<u>6,960,501</u>
Capital Assets, Being Depreciated:				
Land Improvements	3,417,357	105,010	-	3,522,367
Buildings and Improvements	6,567,101	307,005	-	6,874,106
Machinery, Equipment and Vehicles	4,423,662	807,464	(162,761)	5,068,365
Infrastructure	18,017,329	906,846	-	18,924,175
Total Capital Assets, Being Depreciated	<u>32,425,449</u>	<u>2,126,325</u>	<u>(162,761)</u>	<u>34,389,013</u>
Accumulated Depreciation for:				
Land improvements	(840,813)	(93,263)	-	(934,076)
Buildings and Improvements	(1,423,930)	(234,220)	-	(1,658,150)
Machinery, Equipment and Vehicles	(3,111,004)	(487,615)	160,647	(3,437,972)
Infrastructure	(3,721,711)	(902,017)	-	(4,623,728)
Total Accumulated Depreciation	<u>(9,097,458)</u>	<u>(1,717,115)</u>	<u>160,647</u>	<u>(10,653,926)</u>
Total Capital Assets, Being Depreciated, Net	<u>23,327,991</u>	<u>409,210</u>	<u>(2,114)</u>	<u>23,735,087</u>
Governmental Activities Capital Assets, Net	<u>\$ 30,288,492</u>	<u>\$ 409,210</u>	<u>\$ (2,114)</u>	<u>\$ 30,695,588</u>



**CITY OF SEDONA, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**4. Capital Assets (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 11,159,413	\$ -	\$ -	\$ 11,159,413
Total Capital Assets, Not Being Depreciated	<u>11,159,413</u>	<u>-</u>	<u>-</u>	<u>11,159,413</u>
Capital Assets, Being Depreciated:				
Wastewater System	95,670,055	8,784,500	-	104,454,555
Machinery, Equipment and Vehicles	<u>1,294,931</u>	<u>175,313</u>	<u>(18,016)</u>	<u>1,452,228</u>
Total Capital Assets, Being Depreciated	<u>96,964,986</u>	<u>8,959,813</u>	<u>(18,016)</u>	<u>105,906,783</u>
Accumulated Depreciation for:				
Wastewater System	(20,142,609)	(2,052,641)	-	(22,195,250)
Machinery, Equipment and Vehicles	<u>(755,338)</u>	<u>(192,179)</u>	<u>18,016</u>	<u>(929,501)</u>
Total Accumulated Depreciation	<u>(20,897,947)</u>	<u>(2,244,820)</u>	<u>18,016</u>	<u>(23,124,751)</u>
Total Capital Assets, Being Depreciated, Net	<u>76,067,039</u>	<u>6,714,993</u>	<u>-</u>	<u>82,782,032</u>
Business-Type Activities Capital Assets, Net	<u>\$ 87,226,452</u>	<u>\$ 6,714,993</u>	<u>\$ -</u>	<u>\$ 93,941,445</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 507,606
Public Safety	160,625
Highways and Streets	929,305
Culture and Recreation	<u>119,579</u>
Total Depreciation Expense	<u>\$ 1,717,115</u>
Business-Type Activities:	
Wastewater	<u>\$ 2,244,820</u>

**5. Construction Commitments**

The City has active construction projects for sewer improvements at June 30, 2009. At fiscal year-end, the City's commitments with contractors totaled \$4,034,638.

**CITY OF SEDONA, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

As of June 30, 2009, interfund receivable and payables were as follows:

Due to	Due From Nonmajor Governmental Funds
General Fund	\$ 303,439

The above interfund receivables and payables are the result of short-term borrowings to cover deficit cash balances at the end of the fiscal year.

Interfund transfers for the year ended June 30, 2009 consisted of the following:

Transfers In	Transfers Out			Total
	General Fund	Capital Improvement Fund	Wastewater Fund	
General Fund	\$ -	\$ -	\$ 479,856	\$ 479,856
Capital Improvement Fund	103,272	-	-	103,272
Nonmajor Governmental Funds	32,931	265,249	-	298,180
Total	\$ 136,203	\$ 265,249	\$ 479,856	\$ 881,308

Transfers were recorded from the General Fund, the Capital Improvement Fund, and Wastewater Fund to the General Fund, the Capital Improvement and Nonmajor Governmental Funds to record the City's matching portion on various grants, fund various improvement projects, subsidize programs and fund debt service payments.

**C. Obligations Under Leases**

The City has entered into a lease agreement as a lessee for financing the acquisition of copiers. The lease agreement qualifies as a capital lease for accounting purposes and; therefore, has been recorded at the present value of their future minimum lease payments as of the inception date providing it meets the capitalization threshold.

**CITY OF SEDONA, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Obligations Under Leases (Continued)**

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and Equipment	\$ 114,032
Less: Accumulated Depreciation	(12,705)
Total	\$ 101,327

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009, were as follows:

Year Ending June 30,	Governmental Activities
2010	\$ 25,809
2011	25,809
2012	25,809
2013	25,809
2014	17,206
Total Minimum Lease Payments	120,442
Less: Amount Representing Interest	(13,163)
Present Value of Minimum Lease Payments	\$ 107,279

**D. Long-Term Obligations**

The City has long-term bonds and loans payable issued to provide funds for the acquisition and construction of major capital facilities. The City has also issued debt to refund earlier obligations with higher interest rates. Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

The City has pledged future excise taxes to repay \$4.6 million in governmental excise tax revenue obligations issued in 2004. Proceeds of the bonds were used to refund and refinance the outstanding Certificates of Participation, Series 1999. The bonds are payable solely from excise taxes and are payable through 2019. Annual principal and interest payments on the bonds are expected to require less than 12.4 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$4,380,740. Principal and interest paid for the current year and total excise taxes were \$478,285 and \$9,809,602, respectively.

**CITY OF SEDONA, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Long-Term Obligations (Continued)**

The City has pledged future excise taxes to repay \$8.8 million in governmental excise tax revenue obligations issued in 2007. Proceeds of the bonds provided financing for improvements to State Route 179 and drainage improvements within the City, the main access route to the City. The bonds are payable solely from excise taxes and are payable through 2027. Annual principal and interest payments on the bonds are expected to require less than 12.4 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$14,439,788. Principal and interest paid for the current year and total excise taxes were \$404,856 and \$9,809,602, respectively.

The City has pledged assessed taxes for each of the homeowners within the District to repay \$2.5 million in governmental special assessments obligations issued in 1993. Special Assessment districts are created only by petition of the City Council by property owners within the District areas. In case of default, the City has the responsibility to cover delinquencies of special assessment bonds from other sources until foreclosure proceeds are received. Proceeds of the bonds provided financing for improvements in the Jordan Park Improvement District. The bonds are payable solely from excise taxes and are payable through 2009. Annual principal and interest payments on the bonds are expected to require less than 12.4 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$0 as this bond was paid in full as of June 30, 2009. Principal and interest paid for the current year and total assessed taxes were \$267,475 and \$5,553, respectively.

The City has pledged future excise taxes to repay \$41.0 million in business-type excise tax revenue obligations issued in 1998. Proceeds of the bonds provided financing for the construction and improvements of the wastewater system. The bonds are payable solely from excise taxes and are payable through 2027. Annual principal and interest payments on the bonds are expected to require less than 2.8 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$38,057,018. Principal and interest paid for the current year and total excise taxes were \$438,663 and \$5,435,186, respectively.

The City has pledged future excise taxes to repay \$2.8 million in business-type excise tax revenue obligations issued in 2002. Proceeds of the bonds provided financing for the construction and improvements of the wastewater system. The bonds are payable solely from excise taxes and are payable through 2012. Annual principal and interest payments on the bonds are expected to require less than 2.8 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$866,225. Principal and interest paid for the current year and total excise taxes were \$290,278 and \$5,435,186, respectively.

The City has pledged future excise taxes to repay \$14.5 million in business-type excise tax revenue obligations issued in 2004. Proceeds of the bonds used to refund the outstanding Sewer Revenue Refunding Bonds, Series 1992. The bonds are payable solely from excise taxes and are payable through 2012. Annual principal and interest payments on the bonds are expected to require less than 2.8 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$7,194,500. Principal and interest paid for the current year and total excise taxes were \$2,389,750 and \$5,435,186, respectively.

**CITY OF SEDONA, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Long-Term Obligations (Continued)**

The City has pledged future excise taxes to repay \$13.9 million in business-type excise tax revenue obligations issued in 2004. Proceeds of the bonds were used to refund and refinance the outstanding Sewer Revenue Bonds, Series A (1990). The bonds are payable solely from excise taxes and are payable through 2017. Annual principal and interest payments on the bonds are expected to require less than 2.8 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$17,671,350. Principal and interest paid for the current year and total excise taxes were \$664,850 and \$5,435,186, respectively.

The City has pledged future excise taxes to repay \$11.3 million in business-type excise tax revenue obligations issued in 2005. Proceeds of the bonds used to refund a portion of the Sedona Wastewater Municipal Property Corporation's outstanding Excise Tax Revenue Bonds, Series 1998. The bonds are payable solely from excise taxes and are payable through 2019. Annual principal and interest payments on the bonds are expected to require less than 2.8 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$15,599,513. Principal and interest paid for the current year and total excise taxes were \$735,088 and \$5,435,186, respectively.

The City has pledged future excise taxes to repay \$9.1 million in business-type excise tax revenue obligations issued in 2007. Proceeds of the bonds provided financing of sewer improvements within the City. The bonds are payable solely from excise taxes and are payable through 2027. Annual principal and interest payments on the bonds are expected to require less than 2.8 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$9,010,400. Principal and interest paid for the current year and total excise taxes were \$1,124,900 and \$5,435,186, respectively.

The City has pledged future excise taxes to repay \$2.0 million in business-type Water Infrastructure Authority Loan obligations issued in 1997. Proceeds of the bonds provided financing for the construction and improvements of the wastewater system. The bonds are payable solely from excise taxes and are payable through 2015. Annual principal and interest payments on the bonds are expected to require less than 2.8 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$936,767. Principal and interest paid for the current year and total excise taxes were \$169,609 and \$5,435,186, respectively.

**CITY OF SEDONA, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Long-Term Obligations (Continued)**

A summary of the City's outstanding debt is presented below, including the original issue, interest rate, maturity and current long-term outstanding balance.

Description	Interest Rate (%)	Maturity Date	Amount
<b>Governmental activities:</b>			
Revenue Bonds			
Excise tax revenue obligations, Second Series 2004; original issue \$4,555,000	3.25-5.0	7/1/10-19	\$ 3,525,000
Excise tax revenue obligations, Series 2007; original issue \$8,795,000	4.0-5.0	7/1/10-27	<u>8,795,000</u>
Total Revenue Bonds			<u>\$ 12,320,000</u>
Special Assessment Bonds			
Jordan Park Improvement District, Series 1993; original issue \$2,500,000	5.75	1/1/08-09	<u>\$ -</u>
<b>Business-type activities:</b>			
Revenue Bonds			
Excise tax revenue obligations, Series 1998; original issue \$41,035,000	4.45-4.75	7/1/19-27	\$ 15,540,000
Excise tax revenue obligations, Series 2002; original issue \$2,795,000	4.3-4.45	7/1/10-12	795,000
Excise tax revenue obligations, Series 2004; original issue \$14,470,000	5.0	7/1/10-12	6,530,000
Excise tax revenue obligations, Second Series 2004; original issue \$13,860,000	4.0-5.0	7/1/13-17	13,860,000
Excise tax revenue obligations, Series 2005; original issue \$11,305,000	3.5-5.25	7/1/10-19	10,935,000
Excise tax revenue obligations, Series 2007; original issue \$9,120,000	4.0-5.0	7/1/10-27	<u>7,450,000</u>
Total Revenue Bonds			<u>\$ 55,110,000</u>
Loans			
Water Infrastructure Authority Loan (WIFA) for the construction and improvements of the wastewater system; original issue \$2,000,000	4.0	7/1/11-15	<u>\$ 726,967</u>

**CITY OF SEDONA, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Long-Term Obligations (Continued)**

Changes in long-term obligations for the year ended June 30, 2009 are as follows:

	July 1, 2008	Increases	Decreases	June 30, 2009	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable:					
Revenue Bonds	\$ 12,640,000	\$ -	\$ (320,000)	\$ 12,320,000	\$ 325,000
Special Assessment Debt with Government Commitment	260,000	-	(260,000)	-	-
	<u>12,900,000</u>	<u>-</u>	<u>(580,000)</u>	<u>12,320,000</u>	<u>325,000</u>
Deferred Amounts:					
On Refunding	(517,159)	-	47,253	(469,906)	-
Premium	298,218	-	(26,544)	271,674	-
Total Bonds Payable	<u>12,681,059</u>	<u>-</u>	<u>(559,291)</u>	<u>12,121,768</u>	<u>325,000</u>
Other Liabilities:					
Capital Leases	-	114,032	(6,753)	107,279	20,942
Compensated Absences	235,509	258,183	(216,668)	277,024	250,707
Governmental Activities Long-Term Liabilities	<u>\$ 12,916,568</u>	<u>\$ 372,215</u>	<u>\$ (782,712)</u>	<u>\$ 12,506,071</u>	<u>\$ 596,649</u>
<b>Business-type Activities</b>					
Bonds Payable:					
Revenue Bonds	\$ 58,300,000	\$ -	\$ (3,190,000)	\$ 55,110,000	\$ 3,340,000
Loan	848,128	-	(121,161)	726,967	121,161
	<u>59,148,128</u>	<u>-</u>	<u>(3,311,161)</u>	<u>55,836,967</u>	<u>3,461,161</u>
Deferred Amounts:					
On Refunding	(1,663,050)	-	178,514	(1,484,536)	-
Premium	2,058,694	-	(258,630)	1,800,064	-
Total Bonds Payable	<u>59,543,772</u>	<u>-</u>	<u>(3,391,277)</u>	<u>56,152,495</u>	<u>3,461,161</u>
Other Liabilities:					
Compensated Absences	19,874	23,447	(18,284)	25,037	22,658
Business-Type Activities Long-Term Liabilities	<u>\$ 59,563,646</u>	<u>\$ 23,447</u>	<u>\$ (3,409,561)</u>	<u>\$ 56,177,532</u>	<u>\$ 3,483,819</u>

Debt service requirements on long-term debt at June 30, 2009 are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 325,000	\$ 553,541	\$ 3,461,161	\$ 2,352,562
2011	340,000	542,979	3,616,162	2,194,951
2012	355,000	531,079	3,776,161	2,029,490
2013	330,000	517,766	4,001,161	1,855,603
2014	330,000	501,266	4,196,161	1,666,491
2015-19	3,305,000	2,229,071	21,246,161	5,269,323
2020-24	4,260,000	1,344,025	6,305,000	17,438,313
2025-29	3,075,000	280,800	9,235,000	692,075
	<u>\$ 12,320,000</u>	<u>\$ 6,500,527</u>	<u>\$ 55,836,967</u>	<u>\$ 33,498,808</u>

**CITY OF SEDONA, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Long-Term Obligations (Continued)**

In prior years, the City defeased certain revenue bonds and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2009, the amount of defeased debt outstanding but removed from the City's financial statements was \$34,570,000.

**NOTE 4 OTHER INFORMATION**

**A. Risk Management**

The City of Sedona, Arizona is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the City is a participating member. The limit for basic coverage is for, \$2,000,000 per occurrence on a claims made basis. Excess coverage is for an additional \$8,000,000 per occurrence on a follow form, claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

The City is insured by Arizona Municipal Workers Compensation Pool for potential worker related accidents.

**B. Contingent Liabilities**

**Lawsuits** - The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorneys, the resolution of these matters will not have a material effect on the financial condition of the City.



**CITY OF SEDONA, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans**

**Arizona State Retirement System**

**Plan Descriptions** - The City of Sedona, Arizona contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System. The Arizona State Retirement System (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

**Funding Policy** - The Arizona State Legislature establishes and may amend active plan members' and the City of Sedona, Arizona's contribution rates. For the year ended June 30, 2009, active plan members were required by statute to contribute at the actuarially determined rate of 9.6 percent (9.1 percent for retirement and 0.5 percent for long-term disability) of the members' annual covered payroll and the City of Sedona, Arizona was required by statute to contribute at the actuarially determined rate of 9.6 percent (8.05 percent for retirement, 1.05 percent for health insurance premium, and 0.5 percent for long-term disability) of the members' annual covered payroll.

	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
Years ended June 30,			
2009	\$ 355,642	\$ 46,401	\$ 22,098
2008	356,040	46,453	22,122
2007	307,948	40,178	19,134

**CITY OF SEDONA, ARIZONA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans (Continued)**

**Public Safety Personnel Retirement System (PSPRS)**

**Plan Description** - The City contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent to provide retirement and death and disability benefits for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. All benefit provisions and other requirements are established by State statute. The Public Safety Personnel Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 1020 E. Missouri Ave., Phoenix, AZ 85014 or by calling (602) 255-5575.

**Funding Policy** - Covered employees are required to contribute 7.65 percent of their annual salary to the PSPRS. The City is required to contribute the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The current rate is 12.62 percent of annual covered payroll.

**Annual Pension Cost** - During the year ended June 30, 2008 (the date of the last available information), the City of Sedona, Arizona's annual pension cost of \$179,851 for police was equal to the City of Sedona, Arizona's required and actual contributions.

The required contribution was determined as part of the June 30, 2008 actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.50% per year compounded annually, (b) projected salary increases of 5.50% (including inflation at 5.00%) per year compounded annually, and (c) additional projected salary increases of 0.0% to 3.0% per year attributable to seniority/merit.

**Funded Status and Funding Progress** - As of June 30, 2008, the most recent actuarial valuation date, the plan was 82.8 percent funded. The actuarial accrued liability for benefits was \$3.9 million, and the actuarial value of assets was \$4.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.8 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.8 million, and the ratio of the UAAL to the covered payroll was 45.0 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**CITY OF SEDONA, ARIZONA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 4 OTHER INFORMATION (CONTINUED)**

**C. Retirement Plans (Continued)**

The actuarial value of the City of Sedona, Arizona's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The City of Sedona, Arizona's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008 was 20 years.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

**Three-Year Trend Information**

**Police**

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percent Contributed	Net Pension Obligation
2006	\$ 132,833	100.0 %	\$ -
2007	136,583	100.0	-
2008	179,851	100.0	-

Additional historical trend information for the City's PSPRS is disclosed on page 64.

Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

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## Required Supplementary Information

**CITY OF SEDONA, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM  
 SCHEDULE OF FUNDING PROGRESS**

**Sedona Police**

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over(Under) funded AAL	Annual Covered Payroll	Over(Under) funded AAL as a Percentage of Covered Payroll
2006	\$ 3,210,641	\$ 3,832,902	83.8%	\$ (622,261)	\$ 1,534,115	-40.6%
2007	3,407,691	4,676,898	72.9%	(1,269,207)	1,679,734	-75.6%
2008	3,904,613	4,717,839	82.8%	(813,226)	1,807,796	-45.0%

**Combining and Individual Fund  
Statements and Schedules**

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## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

*Grants Fund* - Accounts for the activity of miscellaneous federal and state grants.

*Summit II Community Facilities District Fund (CFD)*- Accounts for the operations of the 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 (CFD)*- Accounts for the operations of the Fairfield Community Facilities District that provides general infrastructure and capital assets for the property within the District's boundaries.

*Property Management Fund* - Accounts for the maintenance and repairs related to City Hall Plaza.

*Arts Fund* - Accounts for monies to promote the arts and purchase art for public places within the City limits.

*Carruth Fund* - Accounts for monies received from the estate of Stella Carruth. The monies are used for park and recreation improvements.

### **DEBT SERVICE FUND**

*Special Improvement District* - Accounts for the accumulation of resources for and the payment of the Jordan Park Improvement District special assessment bonds.

### **CAPITAL PROJECTS FUNDS**

*Development Impact Fees Fund* - Accounts for fees assessed to offset costs incurred by the City, generally for capital acquisition or related debt service necessitated by new development. The City of Sedona, Arizona's Land Development Code Ordinance, Sec. 1608.03(C) provides that any portion of the development impact fee that has not been spent within ten years for improvements that provide a beneficial use to the development that paid the fee shall be refunded. Arizona State case law (*Home Builders Ass'n of Cent. Arizona v. City of Scottsdale*, 187 Ariz. 479 (1997)) held that the enabling statute for imposition of development impact fees only implicitly requires that a municipality develop plans indicating a good faith intent to use the fees to provide services with a reasonable time.

*Information Systems Fund* - Accounts for capital improvements to the City's information systems.

**CITY OF SEDONA, ARIZONA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	Special Revenue						
	Grants	Summit II CFD	Fairfield CFD	Property Management	Arts	Carruth	Total
<b>Assets</b>							
Cash and Cash Equivalents	\$ -	\$ 905,943	\$ 667,629	\$ 136,327	\$ 141,875	\$ 2,276	\$ 1,854,050
Receivables							
Accounts Receivable	-	-	33,177	-	-	-	33,177
Intergovernmental Receivable	491,691	-	-	-	-	-	491,691
Interest Receivable	3	1,304	2,676	408	402	-	4,793
<b>Total Assets</b>	<b>\$ 491,694</b>	<b>\$ 907,247</b>	<b>\$ 703,482</b>	<b>\$ 136,735</b>	<b>\$ 142,277</b>	<b>\$ 2,276</b>	<b>\$ 2,383,711</b>
<b>Liabilities and Fund Balance</b>							
<b>Liabilities</b>							
Accounts Payable	\$ 89,659	\$ 4,805	\$ 4,550	\$ -	\$ -	\$ -	\$ 99,014
Accrued Wages and Benefits	4,543	98	490	-	-	-	5,131
Due to Other Funds	303,439	-	-	-	-	-	303,439
Deferred Revenue	675	-	-	-	-	-	675
Unearned Revenue	22,272	-	-	-	-	-	22,272
<b>Total Liabilities</b>	<b>420,588</b>	<b>4,903</b>	<b>5,040</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>430,531</b>
<b>Fund Balance</b>							
Unreserved	71,106	902,344	698,442	136,735	142,277	2,276	1,953,180
<b>Total Fund Balance</b>	<b>71,106</b>	<b>902,344</b>	<b>698,442</b>	<b>136,735</b>	<b>142,277</b>	<b>2,276</b>	<b>1,953,180</b>
<b>Total Liabilities and Balance</b>	<b>\$ 491,694</b>	<b>\$ 907,247</b>	<b>\$ 703,482</b>	<b>\$ 136,735</b>	<b>\$ 142,277</b>	<b>\$ 2,276</b>	<b>\$ 2,383,711</b>

Debt Service	Capital Projects				
Special Improvement District	Development Impact Fees	Information Systems	Total	Total Nonmajor Governmental Funds	
\$ 121,115	\$ 2,806,791	\$ 75,259	\$ 2,882,050	\$ 4,857,215	
-	-	-	-	33,177	
-	-	-	-	491,691	
-	5,199	-	5,199	9,992	
<u>\$ 121,115</u>	<u>\$ 2,811,990</u>	<u>\$ 75,259</u>	<u>\$ 2,887,249</u>	<u>\$ 5,392,075</u>	
\$ 123,038	\$ 62,570	\$ 75,259	\$ 137,829	\$ 359,881	
-	-	355	355	5,486	
-	-	-	-	303,439	
-	-	-	-	675	
-	-	-	-	22,272	
<u>123,038</u>	<u>62,570</u>	<u>75,614</u>	<u>138,184</u>	<u>691,753</u>	
<u>(1,923)</u>	<u>2,749,420</u>	<u>(355)</u>	<u>2,749,065</u>	<u>4,700,322</u>	
<u>(1,923)</u>	<u>2,749,420</u>	<u>(355)</u>	<u>2,749,065</u>	<u>4,700,322</u>	
<u>\$ 121,115</u>	<u>\$ 2,811,990</u>	<u>\$ 75,259</u>	<u>\$ 2,887,249</u>	<u>\$ 5,392,075</u>	

**CITY OF SEDONA, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2009**

	Special Revenue						
	Grants	Summit II CFD	Fairfield CFD	Property Management	Arts	Carruth	Total
<b>Revenue</b>							
<b>Taxes</b>							
Special CFD Tax	\$ -	\$ 402,055	\$ 167,612	\$ -	\$ -	\$ -	\$ 569,667
Intergovernmental	1,232,955	-	-	-	-	-	1,232,955
Contributions and Donations	1,014	-	-	-	-	-	1,014
Impact Fees	-	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-	-
Investment Earnings (Loss)	-	217	2,142	328	168	-	2,855
Other	15,000	-	-	-	530	-	15,530
<b>Total Revenue</b>	<b>1,248,969</b>	<b>402,272</b>	<b>169,754</b>	<b>328</b>	<b>698</b>	<b>-</b>	<b>1,822,021</b>
<b>Expenditures</b>							
<b>Current</b>							
General Government	515,483	52,991	69,923	-	-	-	638,397
Public Safety	707,986	-	10,267	-	-	-	718,253
Highways and Streets	37,738	-	-	-	-	-	37,738
Culture and Recreation	37,510	-	-	-	2,225	-	39,735
<b>Debt Service</b>							
Principal Retirement	-	-	-	-	-	-	-
Interest on Long-Term Debt	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>1,298,717</b>	<b>52,991</b>	<b>80,190</b>	<b>-</b>	<b>2,225</b>	<b>-</b>	<b>1,434,123</b>
Excess (Deficiency) of Revenue Over Expenditures	(49,748)	349,281	89,564	328	(1,527)	-	387,898
<b>Other Finance Sources (Uses)</b>							
Transfers In	32,931	-	-	-	25,488	-	58,419
<b>Total Other Finance     Sources (Uses)</b>	<b>32,931</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,488</b>	<b>-</b>	<b>58,419</b>
<b>Net Change in     Fund Balance</b>	<b>(16,817)</b>	<b>349,281</b>	<b>89,564</b>	<b>328</b>	<b>23,961</b>	<b>-</b>	<b>446,317</b>
<b>Fund Balance</b>							
Beginning of Year	87,923	553,063	608,878	136,407	118,316	2,276	1,506,863
<b>End of Year</b>	<b>\$ 71,106</b>	<b>\$ 902,344</b>	<b>\$ 698,442</b>	<b>\$ 136,735</b>	<b>\$ 142,277</b>	<b>\$ 2,276</b>	<b>\$ 1,953,180</b>

Debt Service	Capital Projects			Total Nonmajor Governmental Funds
Special Improvement District	Development Impact Fees	Information Systems	Total	
\$ -	\$ -	\$ -	\$ -	\$ 569,667
-	-	-	-	1,232,955
-	-	-	-	1,014
-	302,216	-	302,216	302,216
163,266	-	-	-	163,266
(144)	85,217	-	85,217	87,928
-	-	-	-	15,530
<u>163,122</u>	<u>387,433</u>	<u>-</u>	<u>387,433</u>	<u>2,372,576</u>
-	25,818	127,326	153,144	791,541
-	-	102,127	102,127	820,380
-	250,000	10,401	260,401	298,139
-	72,658	-	72,658	112,393
260,000	-	-	-	260,000
130,555	-	-	-	130,555
<u>390,555</u>	<u>348,476</u>	<u>239,854</u>	<u>588,330</u>	<u>2,413,008</u>
<u>(227,433)</u>	<u>38,957</u>	<u>(239,854)</u>	<u>(200,897)</u>	<u>(40,432)</u>
<u>-</u>	<u>-</u>	<u>239,761</u>	<u>239,761</u>	<u>298,180</u>
<u>-</u>	<u>-</u>	<u>239,761</u>	<u>239,761</u>	<u>298,180</u>
(227,433)	38,957	(93)	38,864	257,748
225,510	2,710,463	(262)	2,710,201	4,442,574
<u>\$ (1,923)</u>	<u>\$ 2,749,420</u>	<u>\$ (355)</u>	<u>\$ 2,749,065</u>	<u>\$ 4,700,322</u>

**CITY OF SEDONA, ARIZONA  
CAPITAL IMPROVEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
Taxes			
Sales Taxes	\$ 1,964,037	\$ 1,969,271	\$ 5,234
Intergovernmental	2,100,000	166,503	(1,933,497)
Investment Earnings	280,000	83,405	(196,595)
Other	<u>500</u>	<u>3,197</u>	<u>2,697</u>
Total Revenue	<u>4,344,537</u>	<u>2,222,376</u>	<u>(2,122,161)</u>
Expenditures			
Current			
General Government	2,279,584	603,322	1,676,262
Public Safety	141,227	148,321	(7,094)
Highways and Streets	<u>9,462,000</u>	<u>3,296,858</u>	<u>6,165,142</u>
Total Expenditures	<u>11,882,811</u>	<u>4,048,501</u>	<u>7,834,310</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(7,538,274)</u>	<u>(1,826,125)</u>	<u>5,712,149</u>
Other Finance Sources (Uses)			
Transfers In	1,148,391	103,272	(1,045,119)
Transfers Out	(537,797)	(265,249)	272,548
Issuance of Long-Term Debt	<u>5,654,000</u>	<u>-</u>	<u>(5,654,000)</u>
Total Other Finance Sources (Uses)	<u>6,264,594</u>	<u>(161,977)</u>	<u>(6,426,571)</u>
Net Change in Fund Balance	(1,273,680)	(1,988,102)	(714,422)
Fund Balance			
Beginning of Year	<u>1,273,680</u>	<u>9,925,867</u>	<u>8,652,187</u>
End of Year	<u>\$ -</u>	<u>\$ 7,937,765</u>	<u>\$ 7,937,765</u>

**CITY OF SEDONA, ARIZONA  
GRANTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental	\$ 1,354,534	\$ 1,232,955	\$ (121,579)
Contributions and Donations	2,500	1,014	(1,486)
Other	835,000	15,000	(820,000)
Total Revenue	<u>2,192,034</u>	<u>1,248,969</u>	<u>(943,065)</u>
Expenditures			
Current			
General Government	502,589	515,483	(12,894)
Public Safety	1,138,344	707,986	430,358
Highways and Streets	600,000	37,738	562,262
Culture and Recreation	10,055	37,510	(27,455)
Total Expenditures	<u>2,250,988</u>	<u>1,298,717</u>	<u>952,271</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(58,954)</u>	<u>(49,748)</u>	<u>9,206</u>
Other Finance Sources (Uses)			
Transfers In	40,600	32,931	(7,669)
Total Other Finance Sources (Uses)	<u>40,600</u>	<u>32,931</u>	<u>(7,669)</u>
Net Change in Fund Balance	(18,354)	(16,817)	1,537
Fund Balance			
Beginning of Year	18,354	87,923	69,569
End of Year	<u>\$ -</u>	<u>\$ 71,106</u>	<u>\$ 71,106</u>

**CITY OF SEDONA, ARIZONA  
SUMMIT II CFD FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Taxes			
Special CFD Tax	\$ 87,030	\$ 402,055	\$ 315,025
Investment Earnings	20,190	217	(19,973)
Total Revenue	<u>107,220</u>	<u>402,272</u>	<u>295,052</u>
Expenditures			
Current			
General Government	264,319	52,991	211,328
Total Expenditures	<u>264,319</u>	<u>52,991</u>	<u>211,328</u>
Excess (Deficiency) of Revenue Over Expenditures	(157,099)	349,281	506,380
Other Finance Sources (Uses)			
Transfers Out	(10,000)	-	10,000
Total Other Finance Sources (Uses)	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>
Net Change in Fund Balance	(167,099)	349,281	516,380
Fund Balance			
Beginning of Year	167,099	553,063	385,964
End of Year	<u>\$ -</u>	<u>\$ 902,344</u>	<u>\$ 902,344</u>



**CITY OF SEDONA, ARIZONA  
 FAIRFIELD CFD FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL  
 FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Taxes			
Special CFD Tax	\$ 203,757	\$ 167,612	\$ (36,145)
Investment Earnings	31,422	2,142	(29,280)
Total Revenue	<u>235,179</u>	<u>169,754</u>	<u>(65,425)</u>
Expenditures			
Current			
General Government	298,755	69,923	228,832
Public Safety	-	10,267	(10,267)
Total Expenditures	<u>298,755</u>	<u>80,190</u>	<u>218,565</u>
Excess (Deficiency) of Revenue Over Expenditures	(63,576)	89,564	153,140
Fund Balance			
Beginning of Year	63,576	608,878	545,302
End of Year	<u>\$ -</u>	<u>\$ 698,442</u>	<u>\$ 698,442</u>

**CITY OF SEDONA, ARIZONA  
ARTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Investment Earnings	\$ 3,000	\$ 168	\$ (2,832)
Other	-	530	530
Total Revenue	<u>3,000</u>	<u>698</u>	<u>(2,302)</u>
Expenditures			
Current			
Culture and Recreation	50,000	2,225	47,775
Total Expenditures	<u>50,000</u>	<u>2,225</u>	<u>47,775</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(47,000)</u>	<u>(1,527)</u>	<u>45,473</u>
Other Finance Sources (Uses)			
Transfers In	50,000	25,488	(24,512)
Total Other Finance Sources (Uses)	<u>50,000</u>	<u>25,488</u>	<u>(24,512)</u>
Net Change in Fund Balance	3,000	23,961	20,961
Fund Balance			
Beginning of Year	(3,000)	118,316	121,316
End of Year	<u>\$ -</u>	<u>\$ 142,277</u>	<u>\$ 142,277</u>

**CITY OF SEDONA, ARIZONA  
SPECIAL IMPROVEMENT DISTRICT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Special Assessments	\$ 247,750	\$ 163,266	\$ (84,484)
Investment Earnings (Loss)	15,000	(144)	(15,144)
Total Revenue	<u>262,750</u>	<u>163,122</u>	<u>(99,628)</u>
Expenditures			
Debt Service			-
Principal Retirement	260,000	260,000	-
Interest on Long-Term Debt	8,375	130,555	(122,180)
Total Expenditures	<u>268,375</u>	<u>390,555</u>	<u>(122,180)</u>
Excess (Deficiency) of Revenue Over Expenditures	(5,625)	(227,433)	(221,808)
Fund Balance			
Beginning of Year	5,625	225,510	219,885
End of Year	<u>\$ -</u>	<u>\$ (1,923)</u>	<u>\$ (1,923)</u>

**CITY OF SEDONA, ARIZONA  
DEVELOPMENT IMPACT FEES FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Impact Fees	\$ 379,312	\$ 302,216	\$ (77,096)
Investment Earnings	78,957	85,217	6,260
Total Revenue	<u>458,269</u>	<u>387,433</u>	<u>(70,836)</u>
Expenditures			
Current			
General Government	45,000	25,818	19,182
Highways and Streets	341,500	250,000	91,500
Culture and Recreation	217,500	72,658	144,842
Total Expenditures	<u>604,000</u>	<u>348,476</u>	<u>255,524</u>
Excess (Deficiency) of Revenue Over Expenditures	(145,731)	38,957	184,688
Fund Balance			
Beginning of Year	145,731	2,710,463	2,564,732
End of Year	<u>\$ -</u>	<u>\$ 2,749,420</u>	<u>\$ 2,749,420</u>

**CITY OF SEDONA, ARIZONA  
INFORMATION SYSTEMS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Expenditures			
Current			
General Government	\$ 310,672	\$ 127,326	\$ 183,346
Public Safety	162,000	102,127	59,873
Highways and Streets	15,125	10,401	4,724
Total Expenditures	<u>487,797</u>	<u>239,854</u>	<u>247,943</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(487,797)</u>	<u>(239,854)</u>	<u>247,943</u>
Other Finance Sources (Uses)			
Transfers In	<u>487,797</u>	<u>239,761</u>	<u>(248,036)</u>
Total Other Finance Sources (Uses)	<u>487,797</u>	<u>239,761</u>	<u>(248,036)</u>
Net Change in Fund Balance	-	(93)	(93)
Fund Balance			
Beginning of Year	-	(262)	(262)
End of Year	<u>\$ -</u>	<u>\$ (355)</u>	<u>\$ (355)</u>

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## **ENTERPRISE FUND**

*Wastewater Fund* - Accounts for the costs to operate, construct and finance the City's wastewater treatment system.

**CITY OF SEDONA, ARIZONA  
WASTEWATER ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
Charges for Sales and Services	\$ 3,252,422	\$ 3,326,378	\$ 73,956
Capacity Fees	327,000	455,085	128,085
Taxes	5,420,743	5,435,186	14,443
Interest	1,140,000	734,783	(405,217)
Other	4,759,161	7,950	(4,751,211)
Total Revenue	<u>14,899,326</u>	<u>9,959,382</u>	<u>(4,939,944)</u>
Expenditures			
Operation	3,251,192	2,874,549	376,643
Capital	15,165,426	8,959,813	6,205,613
Debt Service	6,382,476	6,644,446	(261,970)
Total Expenditures	<u>24,799,094</u>	<u>18,478,808</u>	<u>6,320,286</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(9,899,768)</u>	<u>(8,519,426)</u>	<u>1,380,342</u>
Other Finance Sources (Uses)			
Transfers Out	(75,000)	(479,856)	(404,856)
Total Other Finance Sources (Uses)	<u>(75,000)</u>	<u>(479,856)</u>	<u>(404,856)</u>
Net Change in Net Assets	(9,974,768)	(8,999,282)	975,486
Net Assets			
Beginning of Year	9,974,768	43,151,033	33,176,265
End of Year	<u>\$ -</u>	<u>\$ 34,151,751</u>	<u>\$ 34,151,751</u>

**RECONCILIATION TO OPERATING REVENUES AND EXPENSES PER THE STATEMENT OF  
REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

Total Revenues Above	\$ 9,959,382
Nonoperating Revenues	
Capacity Fees	(455,085)
Taxes	(5,435,186)
Interest	(734,783)
Other Revenue	<u>(7,950)</u>
Total Operating Revenues per Statement of Revenues, Expenses and Changes in Net Assets	<u>\$ 3,326,378</u>
Total Expenditures Above	\$ 18,478,808
Capital Outlay	(8,959,813)
Debt Service Costs not in Operating Expenses	(6,644,446)
Depreciation Expense in Operating Expenses	<u>2,244,820</u>
Total Operating Expenses per Statement of Revenues, Expenses and Changes in Net Assets	<u>\$ 5,119,369</u>



## STATISTICAL SECTION

This section of the City of Sedona, Arizona's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

### **Financial Trends**

*These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.*

### **Revenue Capacity**

*These schedules contain information to help the reader assess the government's most significant local revenue source, the sales tax.*

### **Debt Capacity**

*These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government'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 government's financial activities take place.*

### **Operating Information**

*These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.*

*See the table of contents for page numbers of the schedules that encompass the above sections.*

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**CITY OF SEDONA, ARIZONA  
NET ASSETS BY COMPONENT  
LAST SEVEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
<b>Governmental Activities</b>							
Invested in Capital Assets, Net of Related Debt	\$ 7,264,548	\$ 11,727,832	\$ 11,652,240	\$ 21,268,258	\$ 24,794,010	\$ 26,187,433	\$ 21,797,059
Restricted	2,555,706	2,574,064	-	10,154,808	7,469,407	7,688,303	10,987,109
Unrestricted	16,813,296	16,120,102	20,462,779	10,915,131	11,297,441	11,844,887	10,631,798
<b>Total Governmental Activities Net Assets</b>	<b>\$ 26,633,550</b>	<b>\$ 30,421,998</b>	<b>\$ 32,115,019</b>	<b>\$ 42,338,197</b>	<b>\$ 43,560,858</b>	<b>\$ 45,720,623</b>	<b>\$ 43,415,966</b>
<b>Business-Type Activities</b>							
Invested in Capital Assets, Net of Related Debt	\$ 14,370,190	\$ 16,493,366	\$ 19,615,856	\$ 20,547,320	\$ 28,405,751	\$ 31,881,724	\$ 39,941,637
Restricted	1,081,883	1,096,724	1,123,821	1,175,288	1,240,451	587,477	100,818
Unrestricted	21,640,720	23,007,530	24,125,985	28,159,833	24,725,339	24,903,093	18,611,712
<b>Total Business-Type Activities Net Assets</b>	<b>\$ 37,092,793</b>	<b>\$ 40,597,620</b>	<b>\$ 44,865,662</b>	<b>\$ 49,882,441</b>	<b>\$ 54,371,541</b>	<b>\$ 57,372,294</b>	<b>\$ 58,654,167</b>
<b>Primary Government</b>							
Invested in capital assets, net of related debt	\$ 21,634,738	\$ 28,221,198	\$ 31,268,096	\$ 41,815,578	\$ 53,199,761	\$ 58,069,157	\$ 61,738,696
Restricted	3,637,589	3,670,788	1,123,821	11,330,096	8,709,858	8,275,780	11,087,927
Unrestricted	38,454,016	39,127,632	44,588,764	39,074,964	36,022,780	36,747,980	29,243,510
<b>Total Primary Government Net Assets</b>	<b>\$ 63,726,343</b>	<b>\$ 71,019,618</b>	<b>\$ 76,980,681</b>	<b>\$ 92,220,638</b>	<b>\$ 97,932,399</b>	<b>\$ 103,092,917</b>	<b>\$ 102,070,133</b>

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

Note: 2002-03 was the City's first year to prepare government-wide financial statements.

**CITY OF SEDONA, ARIZONA  
CHANGES IN NET ASSETS  
LAST SEVEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
<b>Expenses</b>							
Governmental Activities:							
General Government	\$ 4,459,562	\$ 6,248,305	\$ 7,025,659	\$ 7,645,680	\$ 7,881,431	\$ 7,600,727	\$ 8,608,913
Public Safety	2,090,752	2,253,638	2,965,862	3,227,579	3,310,253	3,717,862	3,643,936
Highways and Streets	1,003,069	1,848,067	2,194,094	2,360,817	3,307,737	2,449,337	5,620,499
Culture and recreation	245,989	148,340	497,465	648,177	789,371	1,058,508	1,037,534
Interest on Long-Term Debt	82,610	72,119	60,907	96,414	256,297	309,469	755,167
Total Governmental Activities	<u>7,881,982</u>	<u>10,570,469</u>	<u>12,743,987</u>	<u>13,978,667</u>	<u>15,545,089</u>	<u>15,135,903</u>	<u>19,666,049</u>
Business-Type Activities:							
Wastewater	6,014,503	6,095,517	4,555,335	7,926,004	6,835,822	7,802,135	8,197,653
Total Business-Type Activities	<u>6,014,503</u>	<u>6,095,517</u>	<u>4,555,335</u>	<u>7,926,004</u>	<u>6,835,822</u>	<u>7,802,135</u>	<u>8,197,653</u>
Total Primary Government Expenses	<u>\$ 13,896,485</u>	<u>\$ 16,665,986</u>	<u>\$ 17,299,322</u>	<u>\$ 21,904,671</u>	<u>\$ 22,380,911</u>	<u>\$ 22,938,038</u>	<u>\$ 27,863,702</u>
<b>Program Revenues</b>							
Governmental Activities:							
Fines, Fees and Charges for Services:							
General Government	\$ 795,419	\$ 788,806	\$ 1,138,189	\$ 700,352	\$ 673,643	\$ 687,888	\$ 705,542
Public Safety	12,492	14,901	14,211	12,282	9,257	52,491	96,472
Highways and streets	278,407	449,871	416,376	292,668	276,348	364,474	200,290
Culture and Recreation	42,361	34,253	36,728	30,646	39,557	40,590	103,587
Interest on Long-Term Debt	-	-	47,620	38,704	26,735	17,340	5,553
Operating Grants and Contributions	1,343,015	1,383,327	2,053,940	2,124,857	1,923,645	1,844,555	2,024,396
Capital Grants and Contributions	241,663	1,968,924	367,035	783,213	523,562	550,975	337,391
Total Governmental Activities							
Program Revenues	<u>2,713,357</u>	<u>4,640,082</u>	<u>4,074,099</u>	<u>3,982,722</u>	<u>3,472,747</u>	<u>3,558,313</u>	<u>3,473,231</u>
Business-Type Activities:							
Charges for Services:							
Wastewater	4,310,845	4,126,995	3,193,393	6,352,468	4,098,647	3,696,431	3,789,413
Total Business-Type Activities							
Program Revenues	<u>4,310,845</u>	<u>4,126,995</u>	<u>3,193,393</u>	<u>6,352,468</u>	<u>4,098,647</u>	<u>3,696,431</u>	<u>3,789,413</u>
Total Primary Government Revenues	<u>\$ 7,024,202</u>	<u>\$ 8,767,077</u>	<u>\$ 7,267,492</u>	<u>\$ 10,335,190</u>	<u>\$ 7,571,394</u>	<u>\$ 7,254,744</u>	<u>\$ 7,262,644</u>

(continued)

(concluded)

**General Revenues and Other  
Changes in Net Assets**

Governmental Activities:

Taxes:								
Sales Taxes	\$ 6,103,167	\$ 6,501,598	\$ 6,558,330	\$ 8,356,298	\$ 8,432,983	\$ 8,571,160	\$ 8,097,544	
Special CFD Tax	128,527	178,613	189,610	239,402	248,220	304,252	569,667	
Franchise Taxes	521,916	560,683	564,575	591,055	640,752	667,237	661,177	
State Revenue Sharing	1,084,746	919,006	936,926	1,067,096	1,241,513	1,538,883	1,637,088	
State Sales Tax Revenue Sharing	797,094	857,455	944,190	1,082,364	1,039,344	1,004,970	870,023	
Auto Lieu Tax Revenue sharing	697,320	548,663	579,030	654,636	603,640	585,027	593,707	
Grants and Contributions Not Restricted	18,310	5,481	13,414	1,032	2,400	1,795	166,503	
Investment Earnings	(270,533)	147,336	446,834	880,958	1,044,373	1,021,475	735,011	
Other	-	-	-	61,409	41,778	42,556	77,585	
Transfers	-	-	130,000	-	-	-	479,856	
<b>Total Governmental Activities:</b>	<b>9,080,547</b>	<b>9,718,835</b>	<b>10,362,909</b>	<b>12,934,250</b>	<b>13,295,003</b>	<b>13,737,355</b>	<b>13,888,161</b>	
Business-Type Activities:								
Sales Taxes	4,862,350	5,215,879	5,120,991	5,541,642	5,732,824	5,683,318	5,435,186	
Investment Earnings (Loss)	(193,905)	257,470	638,993	1,048,673	1,493,451	1,423,139	734,783	
Transfers	-	-	(130,000)	-	-	-	(479,856)	
<b>Total Business-Type Activities</b>	<b>4,668,445</b>	<b>5,473,349</b>	<b>5,629,984</b>	<b>6,590,315</b>	<b>7,226,275</b>	<b>7,106,457</b>	<b>5,690,113</b>	
<b>Total Primary Government</b>	<b>\$ 13,748,992</b>	<b>\$ 15,192,184</b>	<b>\$ 15,992,893</b>	<b>\$ 19,524,565</b>	<b>\$ 20,521,278</b>	<b>\$ 20,843,812</b>	<b>\$ 19,578,274</b>	
<b>Change in Net Assets</b>								
Governmental Activities	\$ 3,911,922	\$ 3,788,448	\$ 1,693,021	\$ 2,938,305	\$ 1,222,661	\$ 2,159,765	\$ (2,304,657)	
Business-Type Activities	2,964,787	3,504,827	4,268,042	5,016,779	4,489,100	3,000,753	1,281,873	
<b>Total Primary Government</b>	<b>\$ 6,876,709</b>	<b>\$ 7,293,275</b>	<b>\$ 5,961,063</b>	<b>\$ 7,955,084</b>	<b>\$ 5,711,761</b>	<b>\$ 5,160,518</b>	<b>\$ (1,022,784)</b>	

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

Note: 2002-03 was the City's first year to prepare government-wide financial statements.

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ -	\$ -	\$ 461,192	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	7,280,421	7,651,440	7,998,042	8,145,901	8,712,623	8,933,380	9,883,448	10,163,442	10,273,435	9,468,179
<b>Total General Fund</b>	<b>\$ 7,280,421</b>	<b>\$ 7,651,440</b>	<b>\$ 8,459,234</b>	<b>\$ 8,145,901</b>	<b>\$ 8,712,623</b>	<b>\$ 8,933,380</b>	<b>\$ 9,883,448</b>	<b>\$ 10,163,442</b>	<b>\$ 10,273,435</b>	<b>\$ 9,468,179</b>
All Other Governmental Funds										
Unreserved, reported in:										
Special Revenue Funds	\$ 1,377,850	\$ 1,477,394	\$ 1,983,629	\$ 2,414,316	\$ 2,941,405	\$ 3,264,350	\$ 3,541,602	\$ 3,812,967	\$ 3,933,462	\$ 3,804,451
Capital Projects Funds	1,910,669	2,821,513	4,408,751	5,764,629	7,198,101	6,942,683	6,452,272	3,618,715	12,636,068	10,686,830
Debt Service Funds	263,628	320,520	322,229	331,165	351,997	351,727	328,012	274,795	225,510	(1,923)
<b>Total All Other</b>										
Governmental Funds	<b>\$ 3,552,147</b>	<b>\$ 4,619,427</b>	<b>\$ 6,714,609</b>	<b>\$ 8,510,110</b>	<b>\$ 10,491,503</b>	<b>\$ 10,558,760</b>	<b>\$ 10,321,886</b>	<b>\$ 7,706,477</b>	<b>\$ 16,795,040</b>	<b>\$ 14,489,358</b>

Source: The 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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Revenues</b>										
Taxes	\$ 6,235,585	\$ 6,412,899	\$ 6,546,144	\$ 6,753,610	\$ 7,240,894	\$ 7,312,515	\$ 9,186,755	\$ 9,321,955	\$ 9,542,649	\$ 9,328,388
Intergovernmental	4,564,793	4,186,482	4,816,666	4,506,257	5,630,606	4,845,240	5,549,374	5,115,368	5,302,778	5,463,364
Fines and Forfeitures	128,061	161,434	155,966	169,143	190,270	168,953	216,431	324,562	368,785	268,848
Licenses and permits	219,479	245,529	256,225	234,908	233,951	230,797	186,037	192,882	164,807	212,366
Charges for Services	159,391	189,037	189,300	144,997	161,231	546,461	144,563	153,751	154,194	161,103
Rents and royalties	-	-	-	-	-	178,646	58,222	47,796	2,077	3,362
Contributions and Donations	-	-	-	-	-	17,569	170	5,000	1,424	1,114
Impact fees	-	-	-	-	-	416,376	292,668	276,348	364,474	302,216
Special Assessments	308,541	294,081	251,908	271,817	279,565	252,155	221,518	197,125	203,172	163,266
Investment earnings (loss)	512,758	783,539	385,899	(267,334)	149,620	442,627	877,907	1,037,999	1,021,475	735,012
Other	603,272	719,415	952,967	501,968	638,928	64,271	199,436	45,244	133,662	235,581
<b>Total Revenues</b>	<b>12,731,880</b>	<b>12,992,416</b>	<b>13,555,075</b>	<b>12,315,366</b>	<b>14,525,065</b>	<b>14,475,610</b>	<b>16,933,081</b>	<b>16,718,030</b>	<b>17,259,497</b>	<b>16,874,620</b>
<b>Expenditures</b>										
General Government	4,189,356	4,367,100	4,989,797	6,246,402	6,329,143	6,777,168	7,977,384	8,292,797	8,412,901	8,908,985
Public safety	1,424,489	1,578,219	1,661,975	2,216,887	2,156,190	3,045,096	3,354,331	3,425,540	3,663,679	3,636,491
Highways and Streets	1,164,015	1,538,961	1,209,486	1,859,282	2,499,340	3,153,340	3,977,627	5,783,445	2,915,421	5,588,218
Culture and recreation	448,315	669,248	671,143	699,563	730,158	640,865	646,384	807,619	970,037	1,169,314
Capital Outlay	6,721,781	3,140,523	1,858,738	-	-	-	-	-	-	-
Debt service										
Principal Retirement	145,000	155,000	165,000	175,000	190,000	200,000	215,000	535,000	550,000	586,753
Interest on long-term debt	110,734	101,579	94,433	82,610	72,119	60,907	49,161	209,044	262,216	689,685
Issuance Costs	-	-	20,787	-	-	100,495	-	-	230,604	-
<b>Total expenditures</b>	<b>14,203,690</b>	<b>11,550,630</b>	<b>10,671,359</b>	<b>11,279,744</b>	<b>11,976,950</b>	<b>13,977,871</b>	<b>16,219,887</b>	<b>19,053,445</b>	<b>17,004,858</b>	<b>20,579,446</b>
<b>Excess of Revenues</b>										
Over (Under) Expenditures	(1,471,810)	1,441,786	2,883,716	1,035,622	2,548,115	497,739	713,194	(2,335,415)	254,639	(3,704,826)

(continued)



(concluded)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Other Financing Sources (Uses)</b>										
Transfers In	\$ 330,883	\$ 1,924,881	\$ 1,522,280	\$ 1,062,104	\$ 412,946	\$ 362,337	\$ 422,475	\$ 467,376	\$ 600,874	\$ 881,308
Transfers Out	(330,883)	(1,924,881)	(1,522,280)	(1,062,104)	(412,946)	(232,337)	(422,475)	(467,376)	(467,561)	(401,452)
Proceeds of Refunding Debt Issuance	-	-	480,003	-	-	4,941,446	-	-	-	-
Proceeds of Long-Term Debt Issuance	5,401,970	-	-	-	-	-	-	-	8,810,604	-
Payment to Refunded Debt Escrow Agent	-	-	(459,216)	-	-	(5,281,171)	-	-	-	-
Proceeds from Capital Lease	-	-	-	-	-	-	-	-	-	114,032
<b>Total Other Financing Sources (Uses)</b>	<b>5,401,970</b>	<b>-</b>	<b>20,787</b>	<b>-</b>	<b>-</b>	<b>(209,725)</b>	<b>-</b>	<b>-</b>	<b>8,943,917</b>	<b>593,888</b>
<b>Net Change in Fund Balance</b>	<b>\$ 3,930,160</b>	<b>\$ 1,441,786</b>	<b>\$ 2,904,503</b>	<b>\$ 1,035,622</b>	<b>\$ 2,548,115</b>	<b>\$ 288,014</b>	<b>\$ 713,194</b>	<b>\$ (2,335,415)</b>	<b>\$ 9,198,556</b>	<b>\$ (3,110,938)</b>
Debt Service as a Percentage of Noncapital Expenditures	3.4%	3.1%	3.2%	2.3%	2.2%	2.6%	1.6%	3.9%	6.1%	6.2%

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

Note: The Town had no adjustments to convert the sales tax revenues to the accrual basis of accounting.

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

Fiscal Year	Sales Taxes	Occupancy Taxes	Special CFD Tax	Franchise Taxes	Total
2000	\$ 4,444,744	\$ 1,334,790	\$ 18,050	\$ 438,001	\$ 6,235,585
2001	4,450,265	1,418,522	51,285	492,827	6,412,899
2002	4,689,137	1,273,287	72,455	511,265	6,546,144
2003	4,854,115	1,249,052	128,527	521,916	6,753,610
2004	5,140,227	1,361,371	178,613	560,683	7,240,894
2005	5,120,992	1,437,338	189,610	564,575	7,312,515
2006	6,505,406	1,850,892	239,402	591,055	9,186,755
2007	6,729,836	1,703,147	248,220	640,752	9,321,955
2008	6,671,721	1,899,439	304,252	667,237	9,542,649
2009	6,380,487	1,717,057	569,667	661,177	9,328,388

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

Note: The Town had no adjustments to convert the sales tax revenues to the accrual basis of accounting.

**CITY OF SEDONA, ARIZONA  
SALES TAX COLLECTIONS BY CATEGORY  
LAST TEN CALENDAR YEARS  
(UNAUDITED)**

Sales Category	Calendar Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Mining	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ 38	\$ 586	\$ 2,009	\$ 64	\$ 44
Construction	1,022,087	1,453,937	1,527,420	1,816,845	1,936,993	1,540,425	1,783,265	2,089,324	2,179,423	2,196,607
Manufacturing	67,296	82,259	55,694	50,118	49,729	329,459	379,754	392,883	385,046	327,604
Transportation										
Communication and Utilities	480,075	532,627	346,183	535,125	549,154	634,559	637,664	675,906	689,975	694,121
Wholesale Trade	86,931	128,215	119,937	130,391	137,217	117,504	123,798	122,250	139,891	130,121
Retail trade	3,104,864	3,302,264	3,305,149	3,218,617	3,371,668	3,382,688	3,577,399	3,621,116	3,632,447	3,327,597
Restaurants and Bars	1,102,201	1,180,289	1,219,331	1,206,365	1,384,725	1,452,812	1,625,205	1,644,280	1,812,673	1,795,497
Finance, Insurance and Real Estate	530,988	558,782	591,556	587,967	617,143	838,876	923,366	873,166	974,352	896,313
Accommodations	2,393,416	2,544,992	2,481,417	2,456,622	2,660,291	2,908,781	3,191,717	3,498,901	3,871,275	3,835,570
Services	610,344	687,579	725,654	692,469	746,237	651,305	687,305	403,291	423,789	397,286
Public Administration	-	2,027	9,040	3,010	3,940	7,908	9,349	5,934	36,147	22,927
All Other Outlets	37,456	26,281	20,553	53,064	38,574	234,221	22,470	168,299	464,840	477,197
<b>Total</b>	<b>\$ 9,435,660</b>	<b>\$ 10,499,252</b>	<b>\$ 10,401,934</b>	<b>\$ 10,750,593</b>	<b>\$ 11,495,671</b>	<b>\$ 12,098,576</b>	<b>\$ 12,961,878</b>	<b>\$ 13,497,359</b>	<b>\$ 14,609,922</b>	<b>\$ 14,100,884</b>
Direct Sales Tax Rate	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

Source: Arizona Department of Revenue.

**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>
2000	3.00%	5.70%	5.80%	5.00%
2001	3.00	6.30	6.40	5.60
2002	3.00	6.30	6.40	5.60
2003	3.00	6.30	6.53	5.60
2004	3.00	6.35	6.53	5.60
2005	3.00	6.35	6.53	5.60
2006	3.00	6.35	6.53	5.60
2007	3.00	6.35	6.73	5.60
2008	3.00	6.35	6.73	5.60
2009	3.00	6.35	6.73	5.60

Source: Arizona Department of Revenue.

**CITY OF SEDONA, ARIZONA  
RATIO 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	Certificates of Participation	Capital Leases	Special Assessment Bonds	Revenue Bonds	WIFA Loan	Certificates of Participation			
1999	\$ -	\$ 700,000	\$ 316,106	\$ 1,975,000	\$ 61,185,000	\$ 1,880,680	\$ 2,510,000	\$ 68,566,786	22.75%	\$ 6,898
2000	-	5,805,000	148,980	1,830,000	60,160,000	1,817,417	2,380,000	72,141,397	23.94	7,167
2001	-	5,555,000	12,447	1,675,000	59,060,000	1,751,624	2,240,000	70,294,071	22.27	6,897
2002	475,150	4,905,000	-	1,510,000	60,184,850	1,696,256	-	68,771,256	20.93	6,537
2003	316,767	4,745,000	-	1,335,000	58,788,233	1,453,934	-	66,638,934	19.34	6,228
2004	158,384	4,575,000	-	1,145,000	57,276,616	1,332,773	-	64,487,773	17.99	5,938
2005	4,460,000	-	-	945,000	56,670,000	1,211,612	-	63,286,612	16.94	5,753
2006	4,460,000	-	-	730,000	54,475,000	1,090,451	-	60,755,451	15.53	5,518
2007	4,155,000	-	-	500,000	52,380,000	969,290	-	58,004,290	14.83	5,210
2008	12,640,000	-	-	260,000	58,300,000	848,148	-	72,048,148	18.42	6,397
2009	12,320,000	-	107,279	-	55,110,000	726,967	-	68,264,246	17.78	5,969

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

**CITY OF SEDONA, ARIZONA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
JUNE 30, 2009  
(UNAUDITED)**

<u>Governmental Unit</u>	<u>Outstanding Debt (1)</u>	<u>Estimated Percentage Applicable (2)</u>	<u>Estimated Share of Overlapping Debt</u>
State of Arizona	None	0.56 %	None
Coconino County	None	8.97	None
Yavapai County	None	8.53	None
Coconino County C.C.D.	\$ 19,425,000	8.97	\$ 1,742,423
Yavapai County C.C.D.	56,425,000	8.53	4,813,052
Sedona-Oak Creek Unified S.D. No. 9	623,700	58.97	367,796
Sedona Fire District	None	58.73	None
City of Sedona	None	100.00 %	None
 Total direct and overlapping debt			<u><u>\$ 6,923,271</u></u>

Source: Individual jurisdictions.

- (1) Includes general obligation bonds outstanding.
- (2) Proportion applicable to the City of Sedona, Arizona, is computed on the ratio of secondary assessed valuation for 2007-08.

**CITY OF SEDONA, ARIZONA  
PLEGDED-REVENUE COVERAGE  
LAST EIGHT FISCAL YEARS  
(UNAUDITED)**

Fiscal Year	WIFA Loan						Special Assessment Bonds			
	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Principal	Interest	Coverage	Special Assessment Collections	Principal	Interest	Coverage
2002	\$ 6,359,716	\$ 1,206,013	\$ 5,153,703	\$ 121,161	\$ 70,064	26.95	\$ 253,055	\$ 165,000	\$ 91,569	0.99
2003	4,116,940	1,021,517	3,095,423	121,161	67,328	16.42	271,817	175,000	81,794	1.06
2004	4,384,465	1,186,629	3,197,836	121,161	64,482	17.23	279,565	190,000	71,300	1.07
2005	3,832,386	1,243,578	2,588,808	121,161	61,522	14.17	252,155	200,000	60,907	0.97
2006	7,401,141	3,229,366	4,171,775	121,161	58,443	23.23	221,518	215,000	49,161	0.84
2007	5,592,098	2,003,340	3,588,758	121,161	55,240	20.34	197,125	230,000	35,363	0.74
2008	5,119,570	2,423,382	2,696,188	121,161	51,910	15.58	203,172	240,000	21,850	0.78
2009	4,524,196	2,874,549	1,649,647	121,161	48,448	9.73	163,266	260,000	7,475	0.61

Excise Tax Revenue Bonds					
Fiscal Year	Excise Tax Revenues	Principal	Interest	Total	Coverage
2002	\$ 14,489,789	\$ 45,000	\$ 1,798,533	\$ 1,843,533	7.86
2003	14,709,139	330,000	1,854,471	2,184,471	6.73
2004	15,788,803	1,511,617	1,841,271	3,352,888	4.71
2005	16,354,103	1,240,000	2,040,386	3,280,386	4.99
2006	19,258,257	2,095,000	2,596,486	4,691,486	4.10
2007	18,650,420	2,500,000	2,494,986	4,994,986	3.73
2008	18,369,596	3,510,000	2,849,386	6,359,386	2.89
2009	17,970,410	3,510,000	3,016,669	6,526,669	2.75

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

Note: Information prior to 2002 was not available.

(1): Gross revenues include charges for services, capacity fees, investment earnings, miscellaneous revenues and gain on sale of capital assets.

(2): Operating expenses do not include depreciation, interest expense and issuance costs.

(3): The City did not have any pledged-revenue excise tax debt prior to fiscal year 1998-1999.

**CITY OF SEDONA, ARIZONA  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)**

Calendar Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	City of Sedona Unemployment Rate
2000	10,066	\$ 315,600,000	\$ 31,350	50.5	1,377	3.20 %
2001	10,192	328,600,000	32,241	-	1,406	3.50
2002	10,520	344,500,000	32,747	-	1,497	4.30
2003	10,700	358,400,000	33,495	-	1,408	4.20
2004	10,861	373,500,000	34,389	-	1,447	3.80
2005	11,000	391,100,000	35,555	-	1,525	3.60
2006	11,010	396,360,000	36,000	-	1,435	3.20
2007	11,134	391,100,000	35,127	-	1,404	2.90
2008	11,263	391,100,000	34,724	-	1,474	3.60
2009	11,436	384,000,000	33,578	50.5	1,509	8.70

Sources: 2000 Census, EEC, DES, Sedona/Oak Creek School District.

Note: Median age was not available for years 2001 through 2008.



**CITY OF SEDONA, ARIZONA  
PRINCIPAL EMPLOYERS  
JUNE 30, 2009  
(UNAUDITED)**

Employer	2009			2000		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Sunterra Resorts	400	1	6.31 %	628	1	12.15 %
Enchantment Resorts	383	2	6.04	-	-	6.19
Los Abrigados	275	3	4.34	320	2	-
Hilton Resort & Spa	193	4	3.05	-	-	-
L'Auberge de Sedona Resort	180	5	2.84	200	3	3.87
Sedona/Oak Creek School District	180	5	2.84	137	4	2.65
Pink Jeep Tours	125	7	1.97	-	-	-
City of Sedona	120	8	1.89	-	-	-
Radisson Resort	99	9	1.56	120	5	2.32
Sedona Rouge	98	10	1.55	-	-	-
	<u>2,053</u>		<u>32.39 %</u>	<u>1,405</u>		<u>27.18 %</u>

Source: The Arizona Department of Commerce.

Note 1: Principal employees include the City of Sedona and surrounding region.

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

Function	Full-Time Equivalent Employees									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government										
Management Services	21	20	23	23	20	24	23	25	25	25
Finance	5	4	4	4	4	5	5	5	5	5
Planning	3	3	3	3	2	4	4	5	5	5
Building	2	3	3	3	2	3	3	3	3	3
Other	1	1	1	1	1	1	1	1	1	1
Public Safety										
Officers	23	24	26	25	24	25	29	31	31	30
Civilians	9	9	10	8	8	9	9	8	8	10
Other Public Works										
Engineering	2	2	2	2	2	4	5	5	5	5
Other	7	10	10	11	10	9	11	11	11	11
Redevelopment	6	7	6	7	7	8	7	7	7	7
Parks and Recreation	7	7	5	6	5	6	6	6	6	7
Wastewater	7	8	7	7	7	7	8	11	11	11
<b>Total</b>	<b>93</b>	<b>98</b>	<b>100</b>	<b>100</b>	<b>92</b>	<b>105</b>	<b>111</b>	<b>118</b>	<b>118</b>	<b>120</b>

Source: City of Sedona, Arizona

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

Function	Fiscal Years									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government										
Building Permits Issued	574	544	663	660	627	607	507	573	553	537
Building Inspections Conducted	2,991	2,841	3,020	2,950	3,033	3,431	2,303	3,168	2,737	2,180
Police										
Physical Arrests	N/A	N/A	N/A	N/A	643	594	439	662	542	652
Parking Violations	N/A	N/A	N/A	10	60	65	80	87	86	40
Traffic Violations	N/A	N/A	N/A	815	2,266	2,750	2,475	2,296	4,589	2,692
Other Public Works										
Street Resurfacing (Miles)	12.2	1.0	3.9	2.8	0.7	1.2	1.1	2.0	4.3	3.5
Wastewater										
Average Daily Sewage Treatment (Millions of Gallons)	0.8	0.9	0.9	1.1	1.1	1.1	1.1	1.3	1.2	1.1

Source: City of Sedona, Arizona

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

Function	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone Offices	1	1	1	1	1	1	1	1	1	1
Patrol Units	5	5	5	6	7	8	9	11	11	12
Other Public Works										
Streets (Miles)	N/A	N/A	N/A	N/A	N/A	N/A	154.5	154.5	154.5	154.5
Highways (Miles)	N/A	N/A	N/A	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Streetlights	N/A	N/A	N/A	2	2	2	2	2	2	8
Parks and Recreation										
Acreage	100.3	100.3	100.3	100.3	100.3	100.3	100.3	100.3	100.3	91.8 **
Playgrounds	1	1	1	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	-	-	-	558	579	615	619	650	651	651
Wastewater										
Sanitary Sewers (Miles)	-	-	-	-	-	-	156.4	159.3	75.0	75.0
Treatment Capacity (Millions of Gallons)	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.2	2.0	2.0

Source: City of Sedona, Arizona

\*\* Acreage for Parks was corrected in updating GIS maps for the City during the FY 2009 year.