

**SEDONA-OAK CREEK AIRPORT AUTHORITY**

FINANCIAL STATEMENTS

**DECEMBER 31, 2021 AND 2020**



# **SEDONA-OAK CREEK AIRPORT AUTHORITY**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of  
Sedona-Oak Creek Airport Authority

### Opinion

We have audited the accompanying financial statements of Sedona-Oak Creek Airport Authority (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sedona-Oak Creek Airport Authority as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sedona-Oak Creek Airport Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sedona-Oak Creek Airport Authority's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

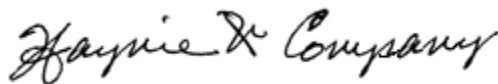
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

## INDEPENDENT AUDITOR'S REPORT (continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sedona-Oak Creek Airport Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sedona-Oak Creek Airport Authority's ability to continue as a going concern for a reasonable period of time.

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



Haynie & Company  
Flagstaff, Arizona

April 27, 2022

**SEDONA-OAK CREEK AIRPORT AUTHORITY**  
**STATEMENTS OF FINANCIAL POSITION**  
DECEMBER 31, 2021 AND 2020

ASSETS

	<b>2021</b>	<b>2020</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,884,663	\$ 555,796
Accounts receivable	149,058	86,412
Inventories	83,720	41,359
Prepaid expenses	61,291	59,087
Certificate of deposit	-	543,009
<b>TOTAL CURRENT ASSETS</b>	<b>2,178,732</b>	<b>1,285,663</b>
<b>NON-CURRENT ASSETS</b>		
Property and equipment net of accumulated depreciation	8,718,741	8,698,517
<b>TOTAL NON-CURRENT ASSETS</b>	<b>8,718,741</b>	<b>8,698,517</b>
<b>TOTAL ASSETS</b>	<b>\$ 10,897,473</b>	<b>\$ 9,984,180</b>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable - trade	\$ 266,670	\$ 191,928
Accrued compensated absences	20,317	32,290
Accrued payroll liabilities	21,147	19,828
Deferred rental income	9,134	19,379
Sales taxes payable	978	1,102
Current portion - Payroll Protection Plan loan	-	60,136
<b>TOTAL CURRENT LIABILITIES</b>	<b>318,246</b>	<b>324,663</b>
<b>LONG-TERM LIABILITIES</b>		
Rental security deposits	24,776	26,172
Deferred revenue	672,784	699,390
Other liabilities	5,301	5,301
Payroll Protection Plan loan, less current portion	151,917	63,216
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>854,778</b>	<b>794,079</b>
<b>TOTAL LIABILITIES</b>	<b>1,173,024</b>	<b>1,118,742</b>
<b>NET ASSETS</b>		
Without donor restrictions	9,724,449	8,865,438
<b>TOTAL NET ASSETS</b>	<b>9,724,449</b>	<b>8,865,438</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 10,897,473</b>	<b>\$ 9,984,180</b>

**SEDONA-OAK CREEK AIRPORT AUTHORITY**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<b>2021</b>	<b>2020</b>
<b>OPERATING REVENUES</b>		
Rents	\$ 1,135,618	\$ 744,842
Fuel and oil sales	2,873,209	1,740,744
Fees, catering and miscellaneous income	347,609	214,040
Parking fees and donations - Scenic Overlook	394,840	218,493
Total revenues	4,751,276	2,918,119
 <b>COST OF SALES</b>		
Fuel and oil	1,354,285	753,524
Catering and miscellaneous	7,125	4,352
Total cost of sales	1,361,410	757,876
 <b>GROSS PROFIT</b>	 3,389,866	 2,160,243
 <b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	 2,845,756	 2,564,010
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FROM OPERATIONS</b>	 544,110	 (403,767)
 <b>NON-OPERATING REVENUES</b>		
Contributions in kind	185,318	2,422,304
Contributions - FAA and EIDL Grants	13,000	79,000
Payroll Protection Loan forgiveness	123,352	-
Interest income	8,484	16,270
Special events income, net of expense	(15,253)	-
Loss on disposal of equipment	-	(457)
Total non-operating revenues	314,901	2,517,117
 <b>EXCESS OF REVENUES OVER EXPENDITURES</b>	 859,011	 2,113,350
 <b>TOTAL NET ASSETS, beginning of year</b>	 8,865,438	 6,752,088
 <b>TOTAL NET ASSETS, end of year</b>	 \$ 9,724,449	 \$ 8,865,438

**SEDONA-OAK CREEK AIRPORT AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenues over expenditures	\$ 859,011	\$ 2,113,350
Adjustments to reconcile excess of revenues over expenditures to net cash provided by operating activities:		
Depreciation	507,746	380,018
Contributions in kind	(173,818)	(2,422,304)
Loss on disposal of equipment	-	457
Payroll Protection Plan Loan forgiveness	(123,352)	-
(Increase) decrease in:		
Accounts receivable	(62,646)	(28,660)
Inventories	(42,361)	18,294
Prepaid expenses	(2,204)	(12,551)
Increase (decrease) in:		
Accounts payable - trade	74,742	(18,190)
Accrued compensated absences	(11,973)	12,659
Accrued payroll liabilities	1,319	(18,837)
Deferred rental income	(10,245)	13,453
Sales taxes payable	(124)	811
Rental security deposits	(1,396)	(365)
Deferred revenue	(26,606)	(27,607)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>988,093</b>	<b>10,528</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(354,152)	(233,344)
Maturity of certificate of deposit	543,009	255,768
Earnings on certificates of deposit reinvested	-	(10,651)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>188,857</b>	<b>11,773</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings - Payroll Protection Plan loan	151,917	123,352
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>151,917</b>	<b>123,352</b>
Increase in cash and cash equivalents	1,328,867	145,653
Cash and cash equivalents, beginning of year	555,796	410,143
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,884,663</b>	<b>\$ 555,796</b>

**SEDONA-OAK CREEK AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2021 and 2020

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the nature of operations of Sedona-Oak Creek Airport Authority and its significant accounting policies applied in the preparation of the accompanying financial statements follows:

Nature of Operations

Sedona-Oak Creek Airport Authority is a non-profit Authority incorporated in the State of Arizona. The Sedona-Oak Creek Airport Authority (the "Authority") was formed in 1978 under Title 10, Chapter 1, Article 16 of the Arizona Revised Statutes (A.R.S.) to operate the Sedona Airport located in Sedona, Arizona.

The Sedona Airport began on February 6, 1957 when the United States of America, through the Secretary of Agriculture, and approved by the U.S. Attorney General, issued a patent (land easement) to Yavapai County and/or its successors in function or interest. This patent deeded those certain lands for public airport purposes in perpetuity. The land can only be used for public airport purposes. The Authority has a lease with Yavapai County to manage operations of the land, buildings, and improvements until June 30, 2050.

During 2005, the Internal Revenue Service recognized the Authority as a tax-exempt entity pursuant to Internal Revenue Code Section 501 (c) (3). A.R.S. Article 28-8423 provides for the tax-exempt status of the Authority from state property taxes.

Reporting Activities

The Authority's reporting activities consist of two divisions, which are Airport Operations and Red Rock Aviation.

The Airport Operations division consists of the activities related to the airport administration and management, including the administration of all sub-leasing activity. The Red Rock Aviation division consists of the operation of a fuel farm and normal line service activities.

Basis of Accounting

The Authority records financial transactions using the accrual method. Revenues and other increases in net assets are recognized when they are earned, and expenses and other decreases in net assets are recognized when they are incurred.

Basis of Presentation

Financial statement presentation is in accordance with the Financial Accounting Standards Board Accounting Standards Codification *Not-for-Profit Entities, Presentation of Financial Statements*. Accordingly, the Authority is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Cash and Cash Equivalents

The Authority considers cash to be cash on hand, demand bank accounts, money markets, mutual funds, and certificates of deposit with an original maturity of six months or less. Cash accounts at December 31, 2021 and 2020 consisted of cash on hand and cash deposits in bank accounts.



**SEDONA-OAK CREEK AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certificates of Deposit

The Authority maintained a certificate of deposit in the amount of \$500,000, plus accrued interest at 2.0%, which matured July 22, 2021.

Accounts Receivable

Accounts receivable consists of amounts owed the Authority for both rents and fuel sales on short-term credit. Accounts are considered past due when payment is not received within 30 days of origination. Any allowance for doubtful accounts is based upon management's estimates of uncollectible accounts and the Authority's historical collection experience. Receivables are written off and the allowance account is adjusted when collection efforts have been exhausted.

Inventories

Inventories, consisting mainly of aviation fuel, are valued at the lower of cost (first-in, first-out) or market value.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

Property and Equipment

Fixed assets are recorded at cost and depreciated over their estimated useful lives, using the straight-line method. Assets funded by pass-through grants or other contributions are recorded at their fair values on the date of gift. Assets purchased with a useful life of greater than one year and a cost in excess of \$1,500 are capitalized. Costs incurred for maintenance and repairs are charged against operations. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in current non-operating revenues. The estimated useful lives, by major capital asset classifications are as follows:

Building and ground improvements	6 - 50 years
Equipment	3 - 7 years
Fuel farm	20 years
Furniture and fixtures	5 - 20 years
Hangars	7 - 20 years
Taxi, runway and heliport	20 years
Vehicles	5 years

**SEDONA-OAK CREEK AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues from Contracts with Customers

The Authority recognizes revenues from fuel sales and other services at the time the fuel or other performance obligation is delivered to the customer. Customers pay by credit card at the time of service and generally payments are collected from the merchant processor within three business days.

Contributions

In accordance with the Financial Accounting Standards Board Accounting Standards Codification *Not-for-Profit Entities, Presentation of Financial Statements*, contributions received are recorded depending on the existence or absence of any donor-imposed restrictions.

Advertising Costs

Advertising costs are charged to operations as incurred.

Income Taxes

The Authority has been granted tax exempt status under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for income tax has been included in the financial statements.

The Authority files information tax returns with the U.S. federal and Arizona state governments. With few exceptions, the organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2018 (federal) and 2017 (Arizona) as of December 31, 2021. Federal tax year 2017 and Arizona tax year 2016 were open as of December 31, 2020.

Sales Taxes

The Authority collects sales taxes on jet fuel and remits them to the state of Arizona. Fuel sales are presented gross, including related sales taxes of \$14,680 and \$9,196 at for the years ended December 31, 2021 and 2020, respectively.

Functional Allocation of Expenses

The costs of supporting the Authority's programs and other activities have been summarized on a functional basis in the notes to the financial statements. Certain costs have been allocated among the program and supporting management and general categories. Such allocations are determined by management on an equitable basis. Wages, payroll taxes and benefits are allocated based upon time and effort. Administrative expenses and supplies are allocated based upon estimated usage. Utilities are based upon an allocation of square footage and estimated usage. Telephone is allocated based upon estimated usage.

Date of Management's Review

Management has reviewed events subsequent to December 31, 2021 up through April 27, 2022, the date the financial statements were available to be issued, to evaluate their effect on the fair presentation of the financial statements. See Note 25 for disclosures regarding a \$4 million Bond Purchase and Loan Agreement to fund the relocation and expansion of the fuel farm, closure of the \$150,000 line of credit account, and forgiveness of the Authority's second draw loan under the Payroll Protection Plan (PPP). As of the date the financial statements were available to be issued, other than the Bond Purchase and Loan, line of credit account closure, and PPP forgiveness, there have been no events subsequent to December 31, 2021 that are required to be disclosed in order to present fairly the financial position and changes in net assets of the Authority as of December 31, 2021.

**SEDONA-OAK CREEK AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2021 and 2020

**NOTE 2 - USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from those estimates.

**NOTE 3 - CONCENTRATION OF CREDIT RISK**

The Authority has bank accounts with balances that sometimes exceed the \$250,000 federally insured limit, which exposes the company to risk in the event of a bank failure. Management monitors this regularly to keep this potential risk to a minimum.

**NOTE 4 - CASH AND CASH EQUIVALENTS**

At December 31, 2021 and 2020, cash and cash equivalents included the following:

	<b>2021</b>	<b>2020</b>
Cash on hand	\$ 4,515	\$ 1,277
Checking	260,652	176,516
Savings	1,619,496	378,003
Total cash and cash equivalents	<u>\$ 1,884,663</u>	<u>\$ 555,796</u>

During 2016, the Authority purchased a \$500,000 certificate of deposit, which matured in 2021. Certificates of deposit are stated at cost plus accrued interest.

**NOTE 5 - ACCOUNTS RECEIVABLE**

At December 31, 2021 and 2020, accounts receivable consisted of the following:

	<b>2021</b>	<b>2020</b>
Accounts receivable from tenants	\$ <u>149,058</u>	\$ <u>86,412</u>

Management considers all accounts to be fully collectible. Therefore, no allowance for doubtful accounts has been recorded. Management has based this estimate on their prior experience with the customers and prior collection history. As a result, it is reasonably possible that this estimate may change in the near future.

**SEDONA-OAK CREEK AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2021 and 2020

**NOTE 6 - PROPERTY AND EQUIPMENT**

At December 31, 2021 and 2020, property and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Building, land and ground improvements	\$ 5,206,152	\$ 5,192,274
Equipment	138,400	123,381
Fuel farm	387,201	95,755
Furniture and fixtures	36,955	32,973
Hangars	117,314	117,314
Taxiway, runway and heliport	6,963,189	6,759,544
Vehicles	82,378	82,378
	<u>12,931,589</u>	<u>12,403,619</u>
Less accumulated depreciation	<u>(4,212,848)</u>	<u>(3,705,102)</u>
Total property & equipment, net	<u>\$ 8,718,741</u>	<u>\$ 8,698,517</u>

Depreciation expense was \$507,746 and \$380,018 for the years ended December 31, 2021 and 2020, respectively.

**NOTE 7 - COMPENSATED ABSENCES**

Employees are entitled to certain compensated absences based on their length of employment. These compensated absences are fully vested when earned and are accumulated to the employee's credit. Vacation time accrued but not used must be paid upon termination of employment. Accrued sick leave is paid to the employee at each year end for the unused portion accrued during the year. The amounts accumulated were \$20,317 and \$32,290 for vacation and sick pay at December 31, 2021 and 2020.

**NOTE 8 - DEFERRED REVENUE**

In 2012 the Authority received advanced payments totaling \$900,000 for two cell tower leases. The revenue is being recognized on a straight-line basis over the respective lease terms of approximately 39 years.

**NOTE 9 - LINE OF CREDIT**

In June 2014, the Authority obtained a \$150,000 revolving line of credit with Chase Bank with no expiration date. The interest rate was 6.18% at December 31, 2021 and 2020, and there were no funds drawn at December 31, 2021 or 2020. The line of credit is secured by all business assets. The Authority closed this line of credit in February 2022.

**SEDONA-OAK CREEK AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 - PAYROLL PROTECTION PLAN LOANS**

Due to the impact of the COVID-19 pandemic, on May 22, 2020, the Authority obtained a Payroll Protection Plan (PPP) loan from its lender, backed by the Small Business Administration (SBA) in the principal amount of \$123,352, bearing interest at 1%. These funds were used to maintain payroll and pay other operational expenses in accordance with the rules of the program. On July 28, 2021, the Authority received notice from its lender that this loan and accrued interest has been fully forgiven by the SBA, at which time it was recognized into income. This decision is subject to review or audit by the SBA for six years after the date of forgiveness.

On March 13, 2021, the Authority received a second PPP loan in the amount of \$151,917, with a five-year term and bearing interest at 1% annually. The second PPP loan, along with accrued interest, is also subject to forgiveness if certain qualifying conditions are met. The second PPP loan is secured by business assets. The Authority had applied for forgiveness as of the balance sheet date and was awaiting a response regarding the forgiveness amount. As a subsequent event, the Authority received notice on January 18, 2022 that the second PPP loan was also forgiven in full, along with accrued interest. The Authority will recognize the loan proceeds and any accrued interest as income in 2022. This decision is also subject to review or audit by the SBA for six years after the date of the forgiveness. As the loan was forgiven subsequent to the balance sheet date, no current maturities are presented in the statement of financial position as of December 31, 2021.

**NOTE 11 - AGREEMENTS AND COMMITMENTS WITH YAVAPAI COUNTY**

On January 18, 1971, Yavapai County entered into an agreement with the Authority's predecessor in interest, the "Sedona Airport Authority." Subsequently, on February 1, 2003, the Sedona-Oak Creek Airport Authority entered into an amended agreement with Yavapai County to lease all buildings, structures, improvements, and personal property of the Sedona Airport for one dollar per year. The term of the lease, as amended, extends through June 30, 2050. The lease provides for the operation of the property in accordance with the provisions stated in the land patent by the U.S. Government on May 13, 1946.

During the term of the lease agreement, the Authority will operate and manage the property. All personal property acquired belongs to the Authority and may be sold, traded, or disposed of. However, upon termination of the lease agreement, all real and personal property passes to Yavapai County.

**NOTE 12 - CONTRIBUTIONS IN KIND**

For the years ended December 31, 2021 and 2020, the Authority was the beneficiary of federal and state grants awarded to Yavapai County for the taxiway mill and overlay, the design of the drainage of the airfield and for the design and building of its Apron D. Additionally, the Authority received \$11,500 in donated professional services in 2021. Accordingly, contributions in kind of \$185,318 and \$2,422,304 were recognized in the accompanying financial statements in 2021 and 2020, respectively.

**SEDONA-OAK CREEK AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2021 and 2020

**NOTE 13 - RENTAL REVENUE**

The Authority derives revenue from the leasing of airplane hangars and various buildings onsite at the Sedona Airport. These leases have various terms and payments and are subject to various renewal options. Investment in property and equipment held for lease at December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Structure and grounds improvement	\$ 1,625,848	\$ 1,625,848
Less accumulated depreciation	(422,539)	(384,386)
	<u>\$ 1,203,309</u>	<u>\$ 1,241,462</u>

Rental revenue for the years ended December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Sky Ranch Lodge	\$ 414,768	\$ 235,098
Mesa Grill	304,024	186,908
Hangars	197,519	182,066
Communications sites	51,015	34,239
Terminals	15,554	13,750
Commercial building space	63,144	58,463
Other rents, sales levies & miscellaneous	89,594	34,318
Total	<u>\$ 1,135,618</u>	<u>\$ 744,842</u>

During 2021 and 2020, the Authority received \$869,676 and \$526,878, respectively from commercial leases with an additional requirement of an airport recovery fee, which is assessed for conducting commercial activity at, to, or from the airport. The amount collected varies from year to year and is contingent on the tenant's gross income. Contingent rental income is recognized when the tenant earnings are reported, which is generally at the time of payment of the contingent rent.

**NOTE 14 - RISK PROTECTION**

The Authority purchases commercial insurance to cover risks of damage claims and loss of personal properties, buildings and improvements. This insurance is mandated in the Authority's lease with Yavapai County. Lessees of the Authority's improvements are required to keep minimum coverage as stipulated in the related lease agreements.

**SEDONA-OAK CREEK AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2021 and 2020

**NOTE 15 - MAJOR CUSTOMERS AND TENANTS**

For the years ended December 31, 2021 and 2020, there were two major customers and/or tenants that comprised 63.3% and 61.6% of gross revenues from rents.

Accounts receivable concentration from major customers: three customers comprised 72.7% and 71.2% of total accounts receivable at December 31, 2021 and 2020, respectively.

**NOTE 16 - OPERATING LEASE**

The Authority entered into lease agreements during 2016 with a supplier for a jet fuel truck and an Avgas refueler. Both leases are for five-year terms, beginning August 1, 2016. The jet fuel truck requires monthly payments of \$1,800 and the Avgas refueler requires monthly payments of \$900. The refueler leases are month to month after the initial leases expired on July 31, 2021. Rental expense, which includes sales tax, for the years ended December 31, 2021 and 2020 was \$44,500 and \$38,520, respectively.

**NOTE 17 - NET ASSETS**

The Authority had net assets without donor restrictions at December 31, 2021 and 2020 comprised of the following:

	<b>2021</b>	<b>2020</b>
Unrestricted funds	\$ 751,212	\$ (4,209)
Board designated for future expansion	254,496	171,130
Invested in capital assets	8,718,741	8,698,517
	\$ 9,724,449	\$ 8,865,438

**NOTE 18 - BOARD-DESIGNATED FUNDS**

It is the policy of the Board of Directors of the Authority to review its plans for future property improvements and expansion from time to time and to designate appropriate sums of net assets without donor restrictions to assure adequate financing of such improvements and expansion. The Authority is obligated under grant match programs for future expansions. As of December 31, 2021 and 2020, the board had designated \$254,496 and \$171,130 of net assets without donor restrictions to this account, respectively. Designated funds include \$178,651 and \$165,972 for fuel farm improvements at December 31, 2021 and 2020, respectively, and \$75,845 and \$5,158 for the Authority's portion of grant matching funds required for projects that were in progress at December 31, 2021 and 2020, respectively.

**SEDONA-OAK CREEK AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2021 and 2020

**NOTE 19 - RETIREMENT PLAN**

During 2000, the Board entered into an agreement with the Arizona State Retirement System (ASRS) for the Board to administer a retirement and long-term disability plan pursuant to Section 38-729 of the Arizona Revised Statutes. The plan is described as cost-sharing, multiple employer, public employee, tax qualified, defined benefit retirement plan. Benefits are established by state statute. The employee and the employer contribute to the member's retirement a qualified percentage of compensation paid.

Generally, all employees of the Authority who are engaged to work at least twenty (20) weeks in a fiscal year for at least twenty (20) hours per week become members in the retirement plan upon employment. Membership is mandatory for those employees who meet the membership criteria.

Employee and employer matching contribution rates as a percentage of compensation are actuarially determined and adjusted at each annual actuarial valuation date. For the plan's fiscal year ending June 30, 2022, both ASRS members and the Authority are required by statute to contribute at the rate of 12.41% (12.22% retirement and 0.19% long-term disability) of the member's annual covered payroll. For the year ended June 30, 2021, ASRS members and the Authority were required by statute to contribute at the rate of 12.22% (12.04% retirement and 0.18% long-term disability) of the member's annual covered payroll. The contributions paid by the Authority were equal to the required contributions of \$67,689 and \$54,835, respectively in 2021 and 2020.

The ASRS plan's financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB), and an actuarial valuation is conducted annually. As of June 30, 2021 and 2020, the pension portion of the Plan was 71.5% and 72.8% funded, respectively. The long-term disability plan was 87.6% and 73.1% funded, respectively, at June 30, 2021 and 2020. The Authority's contributions did not represent more than 5% of total plan contributions in 2021 or 2020.

The risks of participating in a multi-employer plan are different from single employer plans. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. The Authority's agreement to participate in ASRS is irrevocable. In the event the Authority is dissolved or otherwise ceases to participate, the ASRS would allocate a liability to the Authority equal to the sum of the Authority's actuarially accrued liability multiplied by the ASRS plan's total deficit percentage and the Authority's actuarially accrued liability for the long-term disability plan multiplied by the long-term disability plan's total deficit percentage. The unfunded portion of the net pension liability, net of deferred outflows and deferred inflows of resources, as of June 30, 2021 and 2020 allocated to the Authority under ASRS's reporting under GASB 68 and 75, would be as follows:

	<u>2021</u>	<u>2020</u>
Pension Liability	\$ 631,838	\$ 627,451
Health Benefit Supplement	(6,267)	(1,730)
Long-Term Disability	1,945	2,101
	<u>\$ 627,516</u>	<u>\$ 627,822</u>



**SEDONA-OAK CREEK AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2021 and 2020

**NOTE 20 - CASH FLOW INFORMATION**

The Authority received non-cash contributions in kind of \$185,318 and \$2,422,304 for the years ended December 31, 2021 and 2020, respectively.

No cash was paid for interest or income taxes during the years ended December 31, 2021 or 2020.

**NOTE 21 - CONTINGENCIES**

Periodically, the Authority may be contingently liable with respect to claims incidental to the ordinary course of operations. In the view of management, and based on management's consultation with legal counsel, the ultimate outcome of such matters would not have a material adverse effect on the Authority's financial statements for the years ended December 31, 2021 and 2020. Accordingly, no provision has been made in the accompanying financial statements for losses, if any, which might result from the ultimate disposition of these matters. Due to the inherent uncertainty in predicting outcomes of trials and court actions, it is at least reasonably possible that the ultimate outcome of such matters could have an adverse effect on the operations of future periods.

**NOTE 22 - LIQUIDITY AND AVAILABILITY OF CASH**

The following represents the Authority's financial assets at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,884,663	\$ 555,796
Certificate of deposit, current	-	543,009
Accounts receivable	<u>149,058</u>	<u>86,412</u>
	2,033,721	1,185,217
Current portion of PPP Loan	-	(60,136)
Board designated restrictions for grant match and other board restrictions	<u>(254,496)</u>	<u>(171,130)</u>
Financial assets available to meet cash needs for general expenditures next year	<u>\$ 1,779,225</u>	<u>\$ 953,951</u>

Since the second draw PPP loan was forgiven subsequent to December 31, 2021, principal payments are excluded from the liquidity analysis.

**NOTE 23 - RECLASSIFICATIONS**

Certain prior year amounts have been reclassified to conform to the current presentation. Such reclassifications had no effect on the previously reported deficiency of revenues over expenditures.

**SEDONA-OAK CREEK AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2021 and 2020

NOTE 24 - SCHEDULE OF FUNCTIONAL EXPENSES

Program and support service expenses for the year ended December 31, 2021 are as follows:

	<u>Program Services</u>	<u>Support Services</u>	<u>Totals</u>
Advertising	\$ 4,844	\$ -	\$ 4,844
Bank charges	488	-	488
Credit card fees	85,437	-	85,437
Depreciation	507,746	-	507,746
Dues and subscriptions	219	-	219
Fees, permits, & licenses	825	-	825
Employee benefits	69,656	46,438	116,094
Equipment rental	63,470	-	63,470
Insurance	91,788	-	91,788
Legal and professional	977,858	-	977,858
Miscellaneous	1,489	-	1,489
Office supplies	-	8,284	8,284
Outside services	24,470	-	24,470
Overlook parking	21,562	-	21,562
Payroll tax expense	53,267	35,511	88,778
Postage and freight	506	-	506
Repair and maintenance	43,019	2,264	45,283
Supplies	24,544	-	24,544
Taxes-jet fuel	14,680	-	14,680
Taxes-personal property	938	-	938
Taxes-sales	1,553	-	1,553
Travel and entertainment	3,674	2,449	6,123
Telephone	4,210	4,211	8,421
Utilities	45,248	2,382	47,630
Vehicle expense	6,938	-	6,938
Wages	416,557	277,704	694,261
Website	1,451	76	1,527
Total	<u>\$ 2,466,437</u>	<u>\$ 379,319</u>	<u>\$ 2,845,756</u>

**SEDONA-OAK CREEK AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2021 and 2020

NOTE 24 - SCHEDULE OF FUNCTIONAL EXPENSES (Continued)

Program and support service expenses for the year ended December 31, 2020 are as follows:

	<u>Program Services</u>	<u>Support Services</u>	<u>Totals</u>
Advertising	\$ 1,318	\$ -	\$ 1,318
Bad debt	280	-	280
Bank charges	349	-	349
Credit card fees	55,220	-	55,220
Depreciation	380,018	-	380,018
Dues and subscriptions	538	-	538
Fees, permits, & licenses	837	-	837
Employee benefits	63,403	42,269	105,672
Equipment rental	53,697	-	53,697
Insurance	78,846	-	78,846
Legal and professional	1,008,585	-	1,008,585
Miscellaneous	11,651	-	11,651
Office supplies	-	2,904	2,904
Outside services	40,573	-	40,573
Overlook parking	13,654	-	13,654
Payroll tax expense	42,451	28,300	70,751
Postage and freight	603	-	603
Repair and maintenance	39,008	2,053	41,061
Supplies	12,524	-	12,524
Taxes-jet fuel	9,196	-	9,196
Taxes-personal property	750	-	750
Taxes-sales	1,242	-	1,242
Travel and entertainment	955	636	1,591
Telephone	4,378	4,378	8,756
Utilities	46,976	2,472	49,448
Vehicle expense	5,909	-	5,909
Wages	364,474	242,983	607,457
Website	551	29	580
Total	<u>\$ 2,237,986</u>	<u>\$ 326,024</u>	<u>\$ 2,564,010</u>

**SEDONA-OAK CREEK AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2021 and 2020

NOTE 25 - SUBSEQUENT EVENTS

The SOCAA entered into a Bond Purchase and Loan Agreement with its lender, National Bank of AZ, for \$4,003,000 on February 15, 2022. The proceeds will be used to build a new fuel farm. Monthly payments of \$33,885 are required through 2022 and \$28,203 thereafter until the maturity date, July 1, 2037. The initial interest rate is 3.81% through 1/31/32. At that time, the interest rate will be adjusted to the lower of the 5-year Constant Maturity Treasury rate or 5%. The loan was funded in late February 2022, and cash will be held in a restricted escrow account until expended for project construction. The loan is collateralized by the Authority's gross business revenues and furniture and fixtures. Loan covenants include maintenance of a debt service coverage ratio of 1.35 to 1.0. Also, audited financial statements are required 150 days after year end.

In preparation for the Bond Purchase and Loan Agreement, the Authority closed its \$150,000 unused line of credit in February 2022.


The Authority received notice on January 18, 2022 that its second draw PPP loan in the amount of \$151,917, along with all accrued interest, has been forgiven by the SBA.


## SUPPLEMENTARY INFORMATION



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## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of  
Sedona-Oak Creek Airport Authority

We have audited the financial statements of Sedona-Oak Creek Airport Authority as of and for the year ended December 31, 2021 and 2020, and have issued our report thereon dated April 27, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The Management's Discussion is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Haynie & Company  
Flagstaff, Arizona

April 27, 2022

**SEDONA-OAK CREEK AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2021 and 2020**

Our discussion and analysis of Sedona-Oak Creek Airport Authority's financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2021. Please read it in conjunction with the comparative financial statements. Financial statements for 2020 are included for further comparison and analysis; this discussion will primarily address financial information for the year ended December 31, 2021.

The financial statements, including the statements of financial position, the statements of activities and changes in net assets, and the statements of cash flows, provide information about the Authority as a whole and its activities in a way that helps the users of these financial statements understand how the Authority's financial position compares to the prior year. These statements include all assets and liabilities using generally accepted accounting principles in the United States, which is the basis of accounting used by most for-profit companies. All of the current year's revenues are recognized when earned and expenses are recorded when incurred regardless of when cash is received or paid.

These statements report the Authority's net assets and changes in them. The user of the financial statements can think of the Authority's net assets, which are the difference between assets and liabilities, as one way to measure the Authority's financial position. Over time, increases and decreases in the Authority's net assets are one indicator of whether the Authority's financial position is improving or deteriorating. The user of the financial statements will need to consider other non-financial factors, however, such as changes in the Authority's tenant base and the condition of the Authority's facilities and equipment. A significant portion of the Airport's assets are invested in the maintenance of its facilities.

The Authority's net assets increased by \$544,110 as a result of operations for the year ended 2021. Additionally, the Authority received \$173,818 in support from pass-through grants for the Taxiway B mill and overlay project and the airfield drainage system and \$11,500 in donated professional fees, which are recorded as Contributions In Kind in the financial statements totaling \$185,318. The Authority received notification of forgiveness of its Payroll Protection Plan loan obtained in 2020 in the amount of \$123,352, and that amount was also recognized in Non-Operating Revenues in 2021. In total, net assets increased by \$859,011 for the year ended December 31, 2021.

Net assets totaled \$9,724,449 and \$8,865,438 at December 31, 2021 and 2020, respectively. Of the \$9,724,449 in net assets at December 31, 2021, \$8,718,741 was invested in capital assets. The Authority, with the assistance of federal and state grants, has invested significantly in the upgrading of its PAPI system, taxiways and runways, terminal parking lot, overlook, and other facilities in the past few years. The Board has designated \$178,651 for future expansion of the fuel farm in 2022 and \$75,845 for its cost sharing portion of a state grants for the infield drainage project. The Authority had unrestricted undesignated net assets of \$751,212 at December 31, 2021.

**SEDONA-OAK CREEK AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2021 and 2020**

The Authority's current assets exceeded its current liabilities by \$1,860,486 as of December 31, 2021. This is a good indicator of the Authority's operating strength and cash flow stability. The Authority's long-term debt as of December 31, 2021 consists of a second Payroll Protection Plan loan in the amount of \$151,917, which was forgiven by the U.S. Small Business Administration (SBA) in January 2022.

Total operating revenue for the Authority increased by \$1,833,157 for the year ended December 31, 2021. The net increase was comprised of an increase in fuel and oil sales of \$1,132,465, largely driven by an increase in traffic volume. Jet fuel sales increased by approximately 156,000 gallons, and AvGas sales decreased by approximately 1,600 gallons in 2021. Operating revenues also includes an increase in rent revenue of \$390,776 due to higher contingent rents as tenants experienced revenue increases coming out of the pandemic, and an increase in fees, catering and miscellaneous income of \$133,569, due to increases in overnight tie-downs and jet landing and parking fees in 2021. Furthermore, the Authority collected \$394,840 in parking fees and donations from the scenic overlook, which was a \$176,347 increase over the prior year.

The Authority's combined gross margin on operations, including all rent, fuel and oil sales, was approximately 71% for the year ended December 31, 2021 as compared to 74% for the prior year. General and administrative expenses increased in 2021 by \$281,746, due primarily to the following: a \$127,728 increase in depreciation expense due to large fixed assets additions in the prior year being in service for the full year, a \$115,253 increase in wages, employee benefits and payroll taxes combined to meet the excess demand for services, a \$30,217 increase in credit card processing fees commensurate with higher sales, and a \$12,942 increase in insurance costs. These increases were offset by a \$30,727 decrease in legal and professional fees, which continued to remain high due to the Authority's continued defense of ongoing legal claims.

Capital projects in 2021 included \$354,152 of Authority funding and \$173,818 from pass-through federal and state grant funding for the Taxiway B mill and overlay and airfield drainage projects. Other capital projects included additional expenditures on the fire protection airport water system master plan, repairs to the helipad and terminal, and the purchase of mowing equipment. The Authority also began a design phase for the relocation and upgrade of the fuel farm in 2021 which will be constructed in 2022. The fuel farm project required \$4,003,000 million in funding from a Bond Purchase and Loan Agreement, which closed on February 15, 2022 and is disclosed in Subsequent Events in the notes to the financial statements.

Cash flows provided by operations totaled \$988,093 for the year ended December 31, 2021. Cash flows provided by investing activities were \$188,857, which included \$543,009 in proceeds from the maturation of a certificate of deposit, offset by cash payments for purchases of property and equipment of \$354,152. Cash flows provided by financing activities in 2021 consisted of borrowings of \$151,917 under the Payroll Protection Plan, which have been forgiven subsequent to year end.



**SEDONA-OAK CREEK AIRPORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2021 and 2020**

Periodically, the Authority may be contingently liable with respect to claims incidental to the ordinary course of operations. In the view of management, and based on management's consultation with legal counsel, the ultimate outcome of such matters would not have a material adverse effect on the Authority's financial statements for the years ended December 31, 2021 and 2020. Accordingly, no provision has been made in the accompanying financial statements for losses, if any, which might result from the ultimate disposition of these matters.

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Sedona-Oak Creek Airport Authority's finances and to show the Authority's accountability for the money it receives and the assets it manages. If you have questions about this report or need additional financial information, contact the Airport Business Manager, 235 Air Terminal Dr., Sedona, Arizona, 86336.