

SEDONA-OAK CREEK AIRPORT AUTHORITY

FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023



SEDONA-OAK CREEK AIRPORT AUTHORITY

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INDEPENDENT AUDITORS' 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 statements of financial position as of December 31, 2024 and 2023, 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, 2024 and 2023, 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 Auditors' 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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.

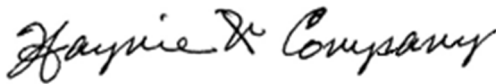
In performing an audit in accordance with generally accepted auditing standards, we:

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

INDEPENDENT AUDITORS' 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 23, 2025

SEDONA-OAK CREEK AIRPORT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023

ASSETS

	<u>2024</u>	<u>2023</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,778,470	\$ 1,403,673
Investments in U.S. Treasury Bills	1,990,489	998,666
Accounts receivable	166,490	136,815
Inventories	101,486	124,004
Prepaid expenses	45,196	49,386
TOTAL CURRENT ASSETS	<u>4,082,131</u>	<u>2,712,544</u>
NON-CURRENT ASSETS		
Right-of-use assets, net of accumulated amortization	36,500	47,149
Property and equipment net of accumulated depreciation	<u>13,593,394</u>	<u>14,004,720</u>
TOTAL NON-CURRENT ASSETS	<u>13,629,894</u>	<u>14,051,869</u>
TOTAL ASSETS	<u><u>\$ 17,712,025</u></u>	<u><u>\$ 16,764,413</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable - trade	\$ 161,864	\$ 193,301
Accrued compensated absences	41,203	35,597
Accrued payroll liabilities	30,336	22,903
Deferred rental income	6,074	21,129
Sales taxes payable	1,017	654
Current portion - lease obligations	31,821	57,829
Current portion - long-term debt	213,396	205,429
TOTAL CURRENT LIABILITIES	<u>485,711</u>	<u>536,842</u>
LONG-TERM LIABILITIES		
Rental security deposits	30,627	29,734
Deferred revenue	601,964	625,571
Other liabilities	5,301	5,301
Lease obligations, less current portion	5,875	8,985
Long-term debt, less current portion	<u>3,124,950</u>	<u>3,335,014</u>
TOTAL LONG-TERM LIABILITIES	<u>3,768,717</u>	<u>4,004,605</u>
TOTAL LIABILITIES	4,254,428	4,541,447
NET ASSETS		
Without donor restrictions	<u>13,457,597</u>	<u>12,222,966</u>
TOTAL NET ASSETS	<u>13,457,597</u>	<u>12,222,966</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 17,712,025</u></u>	<u><u>\$ 16,764,413</u></u>

SEDONA-OAK CREEK AIRPORT AUTHORITY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES		
Rents	\$ 1,510,052	\$ 1,314,981
Fuel and oil sales	3,231,967	2,853,696
Fees, catering and miscellaneous income	329,823	307,175
Parking fees and donations - Scenic Overlook	<u>468,325</u>	<u>431,553</u>
Total revenues	5,540,167	4,907,405
 COST OF SALES		
Fuel and oil	1,761,346	1,625,504
Catering, retail and miscellaneous	<u>23,443</u>	<u>17,103</u>
Total cost of sales	<u>1,784,789</u>	<u>1,642,607</u>
 GROSS PROFIT	3,755,378	3,264,798
 GENERAL AND ADMINISTRATIVE EXPENSES	<u>3,357,787</u>	<u>2,827,682</u>
 EXCESS OF REVENUES OVER EXPENDITURES FROM OPERATIONS	397,591	437,116
 NON-OPERATING REVENUES		
Contributions in kind	311,598	1,341,102
Settlement reimbursement	468,638	-
Interest income	71,966	40,133
Special events income, net of expense	(12,894)	4,192
Loss on disposal of equipment	<u>(2,268)</u>	<u>(1,756)</u>
Total non-operating revenues	<u>837,040</u>	<u>1,383,671</u>
 EXCESS OF REVENUES OVER EXPENDITURES	1,234,631	1,820,787
 TOTAL NET ASSETS, beginning of year	<u>12,222,966</u>	<u>10,402,179</u>
 TOTAL NET ASSETS, end of year	\$ <u>13,457,597</u>	\$ <u>12,222,966</u>

SEDONA-OAK CREEK AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 1,234,631	\$ 1,820,787
Adjustments to reconcile excess of revenues over expenditures to net cash provided by operating activities:		
Depreciation and amortization	887,072	613,282
Contributions in kind	(298,259)	(1,315,447)
Loss on disposal of equipment	2,268	1,756
Noncash changes in operating lease assets and liabilities	(18,469)	(12,929)
(Increase) decrease in:		
Accounts receivable	(29,675)	(67,343)
Inventories	22,518	(26,151)
Prepaid expenses	4,190	(4,310)
Increase (decrease) in:		
Accounts payable - trade	(31,437)	(914,118)
Accrued compensated absences	5,606	15,666
Accrued payroll liabilities	7,433	1,053
Deferred rental income	(15,055)	(7,951)
Sales taxes payable	363	76
Rental security deposits	893	(386)
Deferred revenue	(23,607)	(23,606)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,748,472</u>	<u>80,379</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of U.S. Treasury Bills	(6,491,823)	(1,965,920)
Maturities of U.S. Treasury Bills	5,500,000	1,459,916
Purchase of property and equipment	(176,423)	(2,091,417)
Restricted cash held for fuel farm construction	-	2,598,316
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	<u>(1,168,246)</u>	<u>895</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Long-term debt	(205,429)	(197,764)
NET CASH USED IN FINANCING ACTIVITIES	<u>(205,429)</u>	<u>(197,764)</u>
Increase (decrease) in cash and cash equivalents	374,797	(116,490)
Cash and cash equivalents, beginning of year	<u>1,403,673</u>	<u>1,520,163</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,778,470</u></u>	<u><u>\$ 1,403,673</u></u>

SEDONA-OAK CREEK AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 and 2023

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 and ancillary services 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.

The Airport's operations consist of the activities related to the airport administration and management, including the administration of all sub-leasing activity and 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, 2024 and 2023 consisted of cash on hand and cash deposits in bank accounts.

SEDONA-OAK CREEK AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 credit losses is based upon management's estimates of uncollectible accounts and the Authority's historical collection experience as well as current and forecasted economic factors. 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 net realizable 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

Leases - Lessee

The Authority recognizes a right-of-use asset and liability for all operating leases with terms in excess of 12 months, including periods from any renewal or extension options that the Authority is reasonably certain to exercise. The lease liability is recorded at the present value of minimum lease payments at the rate implicit in the lease, if known, an incremental borrowing rate or if neither is known, a risk-free rate. The lease liability is reduced as lease payments are made throughout the life of the lease. The right-of-use asset is reduced as lease expense is recognized on a straight-line basis throughout the life of the lease. The total lease expense will be equal to the total lease component payments made for the lease.

SEDONA-OAK CREEK AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 and 2023

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.

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 \$14,400 and \$11,977 at for the years ended December 31, 2024 and 2023, 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, 2024 up through April 23, 2025, the date the financial statements were available to be issued, to evaluate their effect on the fair presentation of the financial statements. As of the date the financial statements were available to be issued, there have been no events subsequent to December 31, 2024 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, 2024.

SEDONA-OAK CREEK AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 and 2023

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, 2024 and 2023, cash and cash equivalents included the following:

	2024	2023
Cash on hand	\$ 3,340	\$ 4,360
Checking	1,654,297	1,078,493
Savings	120,833	320,820
Total cash and cash equivalents	<u>\$ 1,778,470</u>	<u>\$ 1,403,673</u>

NOTE 5 - INVESTMENTS IN U.S. TREASURY BILLS

The Authority purchased two \$1,000,000 par U.S. Treasury bills on September 7, 2024 and November 12, 2024, which matured on January 7, 2025 and March 11, 2025, respectively. The investments are stated at amortized cost of \$1,990,489 and had effective interest rates of 4.956% and 5.537% at December 31, 2024.

The Authority purchased a \$1,000,000 par U.S. Treasury bill on September 12, 2023, which matured on January 9, 2024. The investment is stated at amortized cost of \$998,666 at December 31, 2023 and had an effective interest rate of 5.39%.

The Authority invested in additional U.S. Treasury bills that were both purchased and matured during the years ended December 31, 2024 and 2023. Interest income was \$71,966 and \$40,133 for the years ended December 31, 2024 and 2023, respectively.

SEDONA-OAK CREEK AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 and 2023

NOTE 6 - ACCOUNTS RECEIVABLE

At December 31, 2024 and 2023, accounts receivable consisted of the following:

	2024	2023
Accounts receivable from tenants	\$ <u>166,490</u>	\$ <u>136,815</u>

Management considers all accounts to be fully collectible. Therefore, no allowance for credit losses has been recorded. Management has based this estimate on their experience with the tenants and prior collection history as well as current and forecasted economic conditions. As a result, it is reasonably possible that this estimate may change.

NOTE 7 - PROPERTY AND EQUIPMENT

At December 31, 2024 and 2023, property and equipment consisted of the following:

	2024	2023
Building, land and ground improvements	\$ 5,693,147	\$ 5,282,059
Equipment	200,576	200,576
Fuel farm	5,041,830	5,039,693
Furniture and fixtures	44,479	39,800
Hangars	136,362	117,314
Taxiway, runway and heliport	8,591,564	8,572,880
Vehicles	<u>82,378</u>	<u>82,378</u>
	19,790,336	19,334,700
Less accumulated depreciation	<u>(6,196,942)</u>	<u>(5,329,980)</u>
Total property & equipment, net	\$ <u>13,593,394</u>	\$ <u>14,004,720</u>

Depreciation expense was \$883,740 and \$609,949 for the years ended December 31, 2024 and 2023, respectively.

NOTE 8 - 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 \$41,203 and \$35,597 for vacation and sick pay at December 31, 2024 and 2023.

SEDONA-OAK CREEK AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 and 2023

NOTE 9 - 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 10 - LONG-TERM DEBT

The Authority 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 were used to construct a new fuel farm. Monthly payments of \$33,885 were required through 2022 and \$28,203 thereafter until the maturity date, July 1, 2037. The initial interest rate is 3.81% through January 31, 2032. At that time, the interest rate will be adjusted to the lower of the 5-year Constant Maturity Treasury rate or 5%. 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.

The long-term debt balance is shown net of bond issuance costs of \$50,000, net of accumulated amortization of \$9,444 and \$6,111 at December 31, 2024 and 2023, respectively.

Long-term debt maturing subsequent to December 31, 2024 is as follows:

	2025 \$	213,396
	2026	211,670
	2027	230,265
	2028	239,193
	2029	248,467
	Thereafter	2,235,911
		<u>3,378,902</u>
Less bond issuance costs, net		<u>(40,556)</u>
	\$	<u><u>3,338,346</u></u>
Long-term debt commitments - current portion	\$	213,396
Long-term debt commitments - long-term portion		<u>3,124,950</u>
	\$	<u><u>3,338,346</u></u>

SEDONA-OAK CREEK AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 and 2023

NOTE 11 - LEASE OBLIGATIONS

The Authority entered into a lease agreement on April 21, 2022 with its fuel supplier for a jet fuel truck and an Avgas refueler. Lease payments are due monthly at \$3,000 and \$1,000 per month, respectively, after a twelve-month period of no payments. The lease provides for renewal options in one-year increments upon 90-120 days' notice prior to the expiration of the current lease term. As exercise of the renewal options were not reasonably certain at the inception of the lease, renewal options were not considered in the determination of the liability at December 31, 2024 or 2023.

On April 1, 2022, the Authority entered into a lease for a modular building for a twenty-four-month term requiring monthly payments of \$1,703.46. On April 26, 2024, the lease was extended for an additional twenty-four months through March 30, 2026 for monthly lease payments of \$1,965.61 for the remaining term of the lease.

At December 31, 2024 and 2023, assets recorded under operating leases were \$180,836 and \$135,673, respectively, and accumulated amortization associated with operating leases was \$144,336 and \$88,524, respectively. Operating lease cost was \$73,512 and \$66,473 for the years ended December 31, 2024 and 2023, respectively.

Components of operating lease expense:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 73,512	\$ 66,473

Supplementary cash flow information related to operating leases:

Cash paid for amounts included in the measurement of lease liabilities	\$ -	\$ -
Operating cash flows paid for operating leases	(76,801)	(60,942)
Right of use assets obtained in exchange for lease obligations:	45,164	-

Weighted average remaining lease term as of December 31:	1.50	1.15
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Weighted average discount rate as of December 31:	4.59%	3.81%
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Future minimum lease payments as of December 31, 2024:

	<u>Operating</u>
Lease commitments - current portion	\$ 31,821
Lease commitments - long-term portion	5,875
	<u><u>\$ 37,696</u></u>

SEDONA-OAK CREEK AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 and 2023

NOTE 12 - 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 but cannot be encumbered. Upon termination of the lease agreement, all real and personal property passes to Yavapai County.

NOTE 13 - CONTRIBUTIONS IN KIND

For the years ended December 31, 2024 and 2023, the Authority was the beneficiary of state grants awarded to Yavapai County for design and construction of its AWOS guidance system and Taxiway A improvements. Additionally, the Authority received \$13,339 and \$25,655 in donated professional services in 2024 and 2023, respectively. Accordingly, contributions in kind of \$311,598 and \$1,341,102 were recognized in the accompanying financial statements in 2024 and 2023, respectively.

NOTE 14 - LEASES - LESSOR

The Authority derives revenue from the leasing of its property to various third parties who use the space to conduct their operations on the Airport grounds, the terms of which expire 2025 through June 30, 2050. These leases have various terms and payments and are subject to various renewal options. Commercial leases consist of the Sky Ranch Lodge, the Mesa Grill, various airplane and helicopter tour operators, and rental car providers. Some leases contain a provision for a base rent, but the majority of lease requirements is based on an airport recovery fee, which is variable based upon the gross revenues of the tenants. Due to the prevalence of variable lease payments which cannot be reasonably estimated at the inception of the lease, the Authority has classified the leases as operating leases under the provisions of ASU 2016-02, *Leases*.

Authority-owned hangar leases are generally for short terms of twenty four months expiring at various dates through July 2025, and lease requirements are based upon square footage and an established rate, subject to an annual pricing adjustments based on the consumer price index. Due to the short-term nature of these leases, the Authority has classified the Authority-owned hangar leases as operating leases under the provisions of ASU 2016-02, *Leases*.

The Authority also provides ground leases for tenant-owned hangars with terms to June 30, 2050. These lease requirements are at an established rate, subject to annual pricing adjustments based on the consumer price index. Due to the indefinite life of the underlying asset, the Authority has classified these ground leases as operating leases under the provisions of ASU 2016-02, *Leases*.

SEDONA-OAK CREEK AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 and 2023

NOTE 14 - LEASES - LESSOR (Continued)

Investment in property and equipment held for lease at December 31, 2024 and 2023 is as follows:

	2024	2023
Structure and grounds improvement	\$ 1,644,896	\$ 1,625,848
Less accumulated depreciation	(532,367)	(467,016)
	<u>\$ 1,112,529</u>	<u>\$ 1,158,832</u>

Rental revenue for the years ended December 31, 2024 and 2023 consisted of the following:

	2024	2023
Sky Ranch Lodge	\$ 607,314	\$ 508,282
Mesa Grill	365,688	337,710
Hangars	209,698	197,941
Communications sites	57,543	55,863
Terminals	15,420	15,366
Commercial building space	197,062	150,850
Forest Service agreements	-	6,518
Other airport recovery fees & miscellaneous	57,327	42,451
	<u>\$ 1,510,052</u>	<u>\$ 1,314,981</u>

During 2024 and 2023, the Authority received \$1,067,120 and \$875,492, 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 15 - 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, 2024 and 2023

NOTE 16 - MAJOR CUSTOMERS AND TENANTS

For the years ended December 31, 2024 and 2023, there were two major customers and/or tenants that comprised 64.4% and 64.3% of gross revenues from rents.

Accounts receivable concentration from major customers: three customers comprised 67.8% and two customers comprised 44.8% of total accounts receivable at December 31, 2024 and 2023, respectively.

NOTE 17 - NET ASSETS

The Authority had net assets without donor restrictions at December 31, 2024 and 2023 comprised of the following:

	2024	2023
Unrestricted funds	\$ (319,333)	\$ (2,042,485)
Board designated for future expansion	183,536	260,731
Invested in capital assets	13,593,394	14,004,720
	<u>\$ 13,457,597</u>	<u>\$ 12,222,966</u>

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, 2024 and 2023, the board had designated \$183,536 and \$260,731 of net assets without donor restrictions to this account, respectively. Designated funds included \$153,283 for an Emergency Standby Generator and \$30,253 for the Authority's portion of grant matching funds required for projects that were in progress at December 31, 2024. Designated funds include \$217,040 for an Emergency Standby Generator Project and \$43,691 for the Authority's portion of grant matching funds required for projects that were in progress at December 31, 2023.

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.

SEDONA-OAK CREEK AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 and 2023

NOTE 19 - RETIREMENT PLAN (Continued)

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, 2025, both ASRS members and the Authority were required by statute to contribute at the rate of 12.27% (12.12% retirement and 0.15% long-term disability) of the member's annual covered payroll. For the year ended June 30, 2024, ASRS members and the Authority are required by statute to contribute at the rate of 12.29% (12.14% retirement and 0.15% long-term disability) of the member's annual covered payroll. The contributions paid by the Authority were equal to the required contributions of \$121,437 and \$102,908, respectively in 2024 and 2023.

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, 2024 and 2023, the pension portion of the Plan was 74.0% and 73.1% funded, respectively. The long-term disability plan was 98.5% and 94.0% funded, respectively, at June 30, 2024 and 2023. The Authority's contributions did not represent more than 5% of total plan contributions in 2024 or 2023.

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, 2024 and 2023 allocated to the Authority under ASRS's reporting under GASB 68 and 75, would be as follows:

	2024	2023
Pension Liability	\$ 932,562	\$ 840,411
Health Benefit Supplement	(24,823)	(17,116)
Long-Term Disability	399	836
	<u>\$ 908,138</u>	<u>\$ 824,131</u>

SEDONA-OAK CREEK AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 and 2023

NOTE 20 - CASH FLOW INFORMATION

The Authority received non-cash contributions in kind of \$311,598 and \$1,341,102 for the years ended December 31, 2024 and 2023, respectively. Cash paid for interest was \$133,000 and \$140,669 for the years ended December 31, 2024 and 2023, respectively, and \$129,235 was capitalized as construction in progress for the fuel farm project in 2023. No cash was paid for income taxes during the years ended December 31, 2024 or 2023.

See note 11 for additional cash flow information regarding lease liabilities and right of use assets.

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, 2024 and 2023. 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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,778,470	\$ 1,403,673
Investments in U.S. Treasury Bills	1,990,489	998,666
Accounts receivable	<u>166,490</u>	<u>136,815</u>
	3,935,449	2,539,154
Current portion - lease obligations	(31,821)	(57,829)
Current portion - long-term debt	(213,396)	(205,429)
Board designated restrictions for grant match	<u>(183,536)</u>	<u>(260,731)</u>
Financial assets available to meet cash needs for general expenditures next year	\$ <u>3,506,696</u>	\$ <u>2,015,165</u>

Additionally, restricted cash balances of \$2,598,316 were available to meet the funding of the fuel farm construction project in 2023.

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, 2024 and 2023

NOTE 24 - SCHEDULE OF FUNCTIONAL EXPENSES

Program and support service expenses for the year ended December 31, 2024 are as follows:

	Program Services	Support Services	Totals
Advertising	\$ 21,823	\$ -	\$ 21,823
Bad debt	304	-	304
Bank charges	159	-	159
Credit card fees	104,141	-	104,141
Depreciation	883,740	-	883,740
Dues and subscriptions	3,942	-	3,942
Fees, permits, & licenses	870	-	870
Employee benefits	118,732	79,154	197,886
Equipment rental	73,512	-	73,512
Insurance	131,153	-	131,153
Interest	136,333	-	136,333
Legal and professional	289,630	-	289,630
Miscellaneous	3,553	-	3,553
Office supplies	-	9,286	9,286
Outside services	45,706	-	45,706
Overlook parking	24,194	-	24,194
Payroll tax expense	66,018	44,013	110,031
Postage and freight	1,199	-	1,199
Repair and maintenance	76,186	4,010	80,196
Supplies	37,198	-	37,198
Taxes-jet fuel	14,400	-	14,400
Taxes-personal property	1,087	-	1,087
Taxes-sales	1,820	-	1,820
Travel and entertainment	14,579	9,719	24,298
Telephone	4,096	4,095	8,191
Utilities	59,245	3,118	62,363
Vehicle expense	11,849	-	11,849
Wages	646,965	431,311	1,078,276
Website	615	32	647
Total	\$ <u>2,773,049</u>	\$ <u>584,738</u>	\$ <u>3,357,787</u>

SEDONA-OAK CREEK AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 and 2023

NOTE 24 - SCHEDULE OF FUNCTIONAL EXPENSES (Continued)


Program and support service expenses for the year ended December 31, 2023 are as follows:


	<u>Program Services</u>	<u>Support Services</u>	<u>Totals</u>
Advertising	\$ 8,645	\$ -	\$ 8,645
Bank charges	172	-	172
Credit card fees	89,176	-	89,176
Depreciation	609,949	-	609,949
Dues and subscriptions	2,893	-	2,893
Fees, permits, & licenses	870	-	870
Employee benefits	100,341	66,894	167,235
Equipment rental	66,473	-	66,473
Insurance	102,508	-	102,508
Interest expense	14,766	-	14,766
Legal and professional	441,413	-	441,413
Miscellaneous	2,474	-	2,474
Office supplies	-	5,846	5,846
Outside services	44,790	-	44,790
Overlook parking	26,246	-	26,246
Payroll tax expense	61,861	41,241	103,102
Postage and freight	611	-	611
Repair and maintenance	53,930	2,838	56,768
Supplies	35,455	-	35,455
Taxes-jet fuel	11,977	-	11,977
Taxes-personal property	1,011	-	1,011
Taxes-sales	1,673	-	1,673
Travel and entertainment	4,442	2,962	7,404
Telephone	4,188	4,188	8,376
Utilities	61,621	3,243	64,864
Vehicle expense	8,439	-	8,439
Wages	566,236	377,491	943,727
Website	778	41	819
Total	\$ <u>2,322,938</u>	\$ <u>504,744</u>	\$ <u>2,827,682</u>


SUPPLEMENTARY INFORMATION



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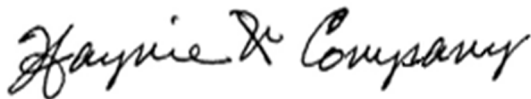
 www.HaynieCPAs.com

INDEPENDENT AUDITORS' 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, 2024 and 2023, and have issued our report thereon dated April 23, 2025, 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 23, 2025

SEDONA-OAK CREEK AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024 and 2023

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, 2024. Please read it in conjunction with the comparative financial statements. Financial statements for 2023 are included for further comparison and analysis; this discussion will primarily address financial information for the year ended December 31, 2024.

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 \$397,591 as a result of operations for the year ended 2024. Additionally, the Authority received \$298,259 in support from pass-through grants for improvements to its AWOS guidance system and \$13,339 in donated professional fees, which are recorded as Contributions In Kind in the financial statements totaling \$311,598. In total, net assets increased by \$1,234,631 for the year ended December 31, 2024.

Net assets totaled \$13,457,597 and \$12,222,966 at December 31, 2024 and 2023, respectively. Of the \$13,457,597 in net assets at December 31, 2024, \$13,593,394 was invested in capital assets. The Authority, with the assistance of federal and state grants, has invested significantly in the upgrading of its taxiways and runways and other facilities in the past few years. Additionally, the Authority entered into a \$4,003,000 Bond Purchase and Loan Agreement in February 2022 exclusively for the reconstruction of its fuel farm, which was completed in 2023. The Board has designated net assets totaling \$153,283 for an Emergency Standby Generator Project, and \$30,253 for its cost sharing portion of state grants for the reconstruction of a portion of Taxiway A. Because of the long-term debt, the Authority had unrestricted undesignated net assets of (\$319,333) at December 31, 2024.

SEDONA-OAK CREEK AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024 and 2023

The Authority's current assets exceeded its current liabilities by \$3,596,420 as of December 31, 2024. The Authority's long-term debt as of December 31, 2024 consists of \$3,338,346 from the 2022 Bond Purchase and Loan Agreement. The Authority additionally has lease liabilities totaling \$37,696 for the rental of its refueler trucks and a modular building.

Total operating revenue for the Authority increased by \$632,762 for the year ended December 31, 2024. The net increase was comprised of an increase in fuel and oil sales of \$378,271. Jet fuel sales volume increased by approximately 68,900 gallons, and AvGas sales increased by approximately 6,800 gallons in 2024. Operating revenues also includes an increase in rent revenue of \$195,071, largely due to increases in airport recovery fee assessments as two commercial tenants experienced significant revenue increases. Fees, catering and miscellaneous income increased by \$22,648, due to increases in overnight parking and tiedowns and landing fees in 2024. Additionally, the Authority collected \$468,325 in parking fees and donations from the scenic overlook, which was a \$36,772 increase over the prior year.

The Authority's combined gross margin on operations, including all rent, fuel and oil sales, was approximately 68% for the year ended December 31, 2024 as compared to 67% for the prior year. General and administrative expenses increased in 2024 by \$530,015 due primarily to the following: increases including a \$273,791 increase in depreciation expense largely due to fixed assets additions related to the fuel farm being in service for the full year, a \$172,129 increase in wages, employee benefits and payroll taxes combined to meet the effects of wage inflation and the addition of two employees, a \$23,428 increase in repairs and maintenance including replacement of the former runway lighting with LED, upgrades to the fire sprinkler systems, drainage work between taxiways, asphalt crack repair, and deicing product to enhance runway safety. Additionally, there was a \$14,965 increase in credit card processing fees commensurate with higher sales, and a \$28,645 increase in insurance costs, partly due to the fuel farm's being in service during the entire policy period and due to a reassessment of property values, both impacting premiums. The increase is offset by a \$151,783 decrease in legal and professional fees as legal claims of the past several years have been largely resolved.

Non-operating revenues included \$468,638 received as a settlement reimbursement from prior legal matters. Interest income was \$71,966, an increase of \$31,833 over prior year due to additional investments in US Treasury bills.

Capital projects in 2024 were financed by \$176,423 of Authority funding and \$298,259 from pass-through state grant funding for the construction of a new AWOS guidance system, taxiway improvements, terminal building and hangar repairs, and the design of a fire protection water system back-up generator. Other capital projects included replacement carpeting in the terminal building and engineering research for future projects.

SEDONA-OAK CREEK AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024 and 2023

Cash flows provided by operations totaled \$1,748,472 for the year ended December 31, 2024. Cash flows used by investing activities were \$1,168,246, which included \$991,823 in net investments in treasury securities and cash payments for purchases of property and equipment of \$176,423. Cash flows provided by financing activities in 2024 consisted of repayments on long-term debt of \$205,429.

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, 2024 and 2023. 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.