



CITY OF SEDONA WASTEWATER FUND ANNUAL REPORT

Fiscal Year Ended June 30, 2022



WASTEWATER RATES

The City has contracted with consultants to conduct a rate study. Included in this study is an evaluation of the current rate structure and options for potentially changing the structure to a water-based system or modifying the current flat rate system. Options will be presented to the City Council when the evaluation is complete.

The new rate options are calculated based on keeping revenues flat (i.e., no revenue increase). If the rate structure is changed, in order to maintain the same level of revenues, some customers may see an increase in their bill and others may see a decrease. The goal is to more equitably allocate costs among the beneficiaries of the wastewater system based on their impact to the system. If Council chooses one of the proposed options, City staff will conduct several outreach meetings to explain the option and the reasons it was selected before any new rate structure would go into effect.

	Current Monthly Rates
Residential Monthly Rates:	
Standard	\$61.11
Low-Flow	\$47.52
Low-Income	\$32.17
Monthly Standby Fee ¹ (undeveloped property with sewer availability)	\$30.55

SUMMARY STATEMENT OF NET POSITION

	FY2022	FY2021 (Restated) ³
Assets and Deferred Outflows of Resources		
Cash & Investments	\$ 21,072,702	\$ 22,229,953
Receivables	540,708	542,614
Prepaid Items	13,866	1,103
Net Pension/Other Postemployment Asset	37,017	5,678
Capital Assets	99,728,305	101,682,502
Deferred Outflows of Resources	293,871	359,239
Total Assets and Deferred Outflows of Resources	\$121,686,469	\$124,821,089
Liabilities, Deferred Inflows of Resources, and Net Position		
Payables	\$ 241,842	\$ 731,065
Unearned Revenue	90,737	82,858
Customer Deposits	17,000	18,000
Matured Debt Payable	4,489,303	4,498,888
Long-Term Debt	17,873,360	21,986,983
Deferred Inflows of Resources	364,399	18,086
Net Position	98,609,828	97,485,209
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$121,686,469	\$124,821,089

SUMMARY STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET POSITION

	FY2022	FY2021 (Restated) ³
Operating Revenues	\$ 6,293,407	\$ 6,043,656
Operating Expenses	7,732,827	7,795,492
Operating Income (Loss)	(1,439,420)	(1,751,836)
Nonoperating Revenues	-	81,729
Nonoperating Expenses	(1,414,582)	(1,116,584)
Capital Contributions – Capacity Fees and Other	678,621	1,425,829
Transfers from Other Funds ²	3,300,000	3,400,000
Change in Net Position	\$ 1,124,619	\$ 2,039,138

For additional information, please see the City’s FY2022 Comprehensive Annual Financial Report on our website at www.sedonaaz.gov or contact the Financial Services Department at (928) 204-7185.

¹The City constructs sewer facilities capable of handling all current and likely future customers in an area. The standby fee is a charge to those in sewer areas that have not yet connected to the constructed system but can in the future. The fee is for maintenance of that portion of sewer system capacity that was constructed to serve these future connections. Without the standby fee, all customers currently connected would be paying for their own capacity plus the capacity needed for future customers.

²Since the voters approved the construction of a sewer system in 1989, the City has subsidized the Wastewater Fund with a portion of its City sales tax revenue. The subsidy has helped pay most of the debt service incurred in the original construction as well as upgrades to the capacity at the plant and extensions of the sewer lines. Since fiscal year 1988-89, the City has subsidized the Wastewater Enterprise Fund with over \$133 million of City sales taxes.

In 2013, the City hired a consultant to review the existing rate structure and to develop a long-range financial plan for the Wastewater Enterprise Fund. The 2013-14 Wastewater Rate Study and Financial Plan, adopted by City Council in May 2014, planned for a slow reduction in the General Fund subsidy over the next twelve years, along with annual increases in user fees gradually declining, in order to achieve the ultimate goal of making the Wastewater Enterprise Fund financially self-supporting to comply with Arizona law. A new rate study is in process that plans to continue the gradual reduction of the subsidy until fully eliminated once the Wastewater Fund debt is paid off. The future subsidies proposed in the rate study have been approved and adopted by the City Council.

³The accounting standards related to the recording of leases was changed for FY2022 and required a restatement of the prior year amounts. Capital assets were increased by \$12,893 and long-term debt was increased by \$6,848 for a net adjustment to net position of \$6,045.

BUDGET & ACTUAL SCHEDULE (BUDGETARY BASIS)

	Operations		Capital		Debt		Total	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Revenues								
Charges for Services	\$3,624,771	\$3,744,031	\$ 1,450,402	\$1,498,122	\$ 971,817	\$ 1,003,791	\$ 6,046,990	\$ 6,245,944
Capacity Fees	-	-	931,756	626,267	-	-	931,756	626,267
Other	162,110	(160,640)	250	64	97,780	(357,806)	260,140	(518,382)
Total Revenues	3,786,881	3,583,391	2,382,408	2,124,453	1,069,597	645,985	7,238,886	6,353,829
Expenditures								
Cost of Services	4,369,350	3,806,318	166,765	161,710	-	-	4,636,115	3,968,028
Capital Outlay	148,070	29,546	3,270,130	1,754,689	-	-	3,418,200	1,784,235
Debt Service	-	-	-	-	4,835,375	4,676,036	4,835,375	4,676,036
Addition to Replacement Reserves	712,650	613,005					712,650	613,005
Total Expenditures	5,230,070	4,448,869	3,436,895	1,916,399	4,835,375	4,676,036	13,502,340	11,041,304
Refunding Bonds Issued					9,000,000	8,890,000	9,000,000	8,890,000
Payment to Refunded Bond Escrow Agent					(9,000,000)	(8,769,995)	(9,000,000)	(8,769,995)
Transfers from Other Funds	-	-	-	-	3,300,000	3,300,000	3,300,000	3,300,000
Add Back Replacement Reserves	712,650	613,005	-	-	-	-	712,650	613,005
Change in Fund Balance	\$ (730,539)	\$ (252,473)	\$ (1,054,487)	\$ 208,054	\$ (365,778)	\$ (510,046)	\$ (2,250,804)	\$ (554,465)
Fund Balance, July 1, 2021, as restated							\$17,403,394	\$17,442,859
Fund Balance, June 30, 2022							\$15,152,590	\$16,788,394
Reconciliation of Fund Balance to Net Position								
Fund Balance, budgetary basis								\$16,788,394
Contributed Sewer Lines, accrual basis								52,354
Depreciation Expense, accrual basis								(3,852,972)
Capital Outlay, budgetary basis								1,784,235
Long-Term Debt Adjustments, accrual basis								4,702,148
Change in Deferred Inflows/Outflows, accrual basis								(411,681)
Prior Years Capital Assets, accrual basis								101,682,502
Prior Years Deferred Inflows/Outflows, accrual basis								341,153
Prior Years Long-Term Debt, accrual basis								(21,981,305)
Net Position, accrual basis								\$98,609,828