



City of Sedona, Arizona
Report on Applying Agreed-Upon Procedures
Biennial Certification of Land Use Assumptions,
Infrastructure Improvement Plan
and Development Impact Fees
For the Period July 1, 2020 through June 30, 2022

**INDEPENDENT ACCOUNTANT’S REPORT ON
 APPLYING AGREED-UPON PROCEDURES**

Honorable Mayor and Members of the City Council

We have performed this agreed-upon procedures engagement to assist management of the City of Sedona, Arizona (City), with the requirement set forth in Arizona Revised Statutes (A.R.S.) 9-463.05.G.2 “to provide for a biennial certified audit of the municipality’s land use assumptions, infrastructure improvements plan and development fees”. As such, we have performed the procedures identified below, solely to assist users in evaluating the City’s compliance with the progress reporting requirements of the infrastructure improvement plan for the period from July 1, 2020 through June 30, 2022, as specified in A.R.S. 9-463.05.G.2. City of Sedona, Arizona’s management is responsible for its compliance with those requirements.

City of Sedona, Arizona’s management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting users in determining whether the City complied with the specified requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We have applied the following procedures:

The progress of the infrastructure improvements plan.

- a. Compared growth projections for 2021 and 2022 related to population and dwelling units, as reported in the Land Use Assumptions to actual results. A list of variances are reported below.

2022				
	Projected¹	Actual²	Variance	Variance %
Total Population	10,820	9,834	(986)	-9%
Total Dwelling Units	6,756	6,814	58	1%

2021				
	Projected¹	Actual²	Variance	Variance %
Total Population	10,742	9,784	(958)	-9%
Total Dwelling Units	6,717	6,743	26	0%

1 The projected figures are sourced from the 2018 Land Use Assumptions Report page 6.

2 The source of actual population is the Arizona Office of Economic Opportunity Population Estimates as of July 1, 2021 and 2022. The source of actual dwelling units is the City’s records.

- b. Obtained City-prepared Annual Reports for the Collection and Use of Development Impact Fees for the fiscal years ended June 30, 2021 and 2022 and performed the following procedures:
 - i. Agreed expenditures in the reports to the underlying accounting records.
 - ii. Determined project descriptions associated with each expenditure were identified in the Infrastructure Improvement Plan (IIP).

Finding #1

The expenditures reported for the Forest Road Connection project in the fiscal year 2022 Development Impact Fee Report did not agree to the City's final trial balance in the amount of \$180,823. After the Development Impact Fee Report was finalized, the City made an adjustment to move expenditures from impact fee funded to bond funded. This movement of expenditures is not uncommon as the City's audited financial statements are prepared after the Impact Fee Annual Report.

The collection and expenditures of development impact fees for each project in the plan.

- c. Selected a sample of 40 building permits issued and determined fees were charged in accordance with authorized fee schedules and that each permit holder was charged the same rate as another equivalent permit holder. Any inequities in the imposition of development fees are reported.

Finding #2

For two of 40 permits reviewed, the City did not properly charge impact fees in accordance with the adopted infrastructure improvement plan resulting in undercharges of \$4,816.

- d. Selected a sample of 25 expenditures and determined that the expenditures were associated with an approved project in the City's IIP.

No findings were noted as a result of applying this procedure.

Evaluating any inequities in implementing the plan or imposing the development impact fee.

- e. Determined each developer/unit was charged the same rate as another equivalent developer/unit by recalculating impact fees at the transaction level for the sample mentioned in step c. above.

No findings were noted as a result of applying this procedure.

- f. Determined that there were no instances in which the City waived development impact fees, except as allowed for under A.R.S. 9-499.10.B and A.R.S. 9-500.18.

No findings were noted as a result of applying this procedure.

We were engaged by City of Sedona, Arizona's management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of City of Sedona, Arizona and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the management of City of Sedona, Arizona, and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
June 15, 2023