

TOWN OF TUSAYAN, ARIZONA



FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF TUSAYAN

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Independent Auditors' Report

The Honorable Mayor and
Town Council
Tusayan, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Tusayan, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Tusayan as of June 30, 2014, and the respective changes in financial position and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2015, on our consideration of the Town of Tusayan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Tusayan's internal control over financial reporting and compliance.



HintonBurdick, PLLC
Flagstaff, Arizona
February 6, 2015

**TOWN OF TUSAYAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014**

As management of the Town of Tusayan (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceeded total liabilities (net position) by \$6,980,400 at the end of the fiscal year.
- Total revenues from all sources were \$3,043,569 and the total cost of all Town programs was \$1,143,641 resulting in an increase of net position of \$1,899,928.
- Sales tax collections were \$2,802,777.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$5,548,791.
- At the end of the fiscal year, restricted fund balance for the HURF Fund was \$133,377 and unrestricted fund balance was \$43,362.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. (3) Notes to the financial statements.

Reporting the Town as a Whole

The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and its changes. Net position, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, an increase or decrease in net position is an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the condition of the Town's roads to accurately assess the overall health of the Town.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, public works/streets, culture and recreation, economic development, health and welfare and interest on long-term debt. Sales taxes, State Revenue Sharing, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town currently does not maintain any proprietary activities; all activities are accounted for as governmental activities.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, management may establish many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The Town's two major funds use the accounting approach as explained below.

- Governmental funds – All of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$7.0 million as of June 30, 2014 as shown in the following condensed statement of net position.

TOWN OF TUSAYAN, ARIZONA Statement of Net Position

	Governmental activities	
	6/30/2014	6/30/2013
Current and other assets	\$ 5,842,175	\$ 4,109,779
Capital assets	1,254,870	1,080,250
Total assets	<u>7,097,045</u>	<u>5,190,029</u>
Long-term liabilities outstanding	-	-
Other liabilities	116,645	109,557
Total liabilities	<u>116,645</u>	<u>109,557</u>
Net position:		
Net investment in capital assets	1,254,870	1,080,250
Restricted	133,377	82,430
Unrestricted	<u>5,592,153</u>	<u>3,917,792</u>
Total net position	<u>\$ 6,980,400</u>	<u>\$ 5,080,472</u>

Governmental Activities

The cost of all Governmental activities this year was \$1,143,641 as shown on the Changes in Net Position statement on the following page. \$5,379 of this cost was paid for by those who directly benefited from the programs. \$63,383 was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$68,762. General taxes, State Revenue Sharing and investment earnings totaled \$2.97 million.

The Town's programs include: General Government, Public Safety, Public Works/Streets, Culture & Recreation, and Economic Development. Each program's net cost (total cost less revenues generated by the activities) are presented on the following page. The net cost shows the extent to which the Town's general revenues or taxes support each of the Town's programs.

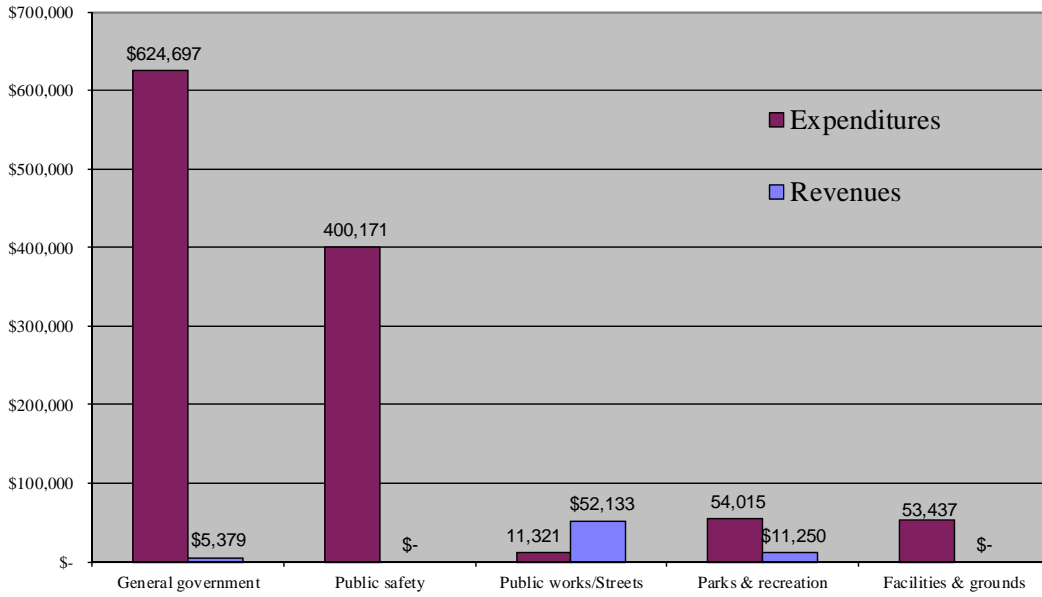
TOWN OF TUSAYAN, ARIZONA
Changes in Net Position

	Governmental activities	
	6/30/2014	6/30/2013
Revenues:		
Program revenues:		
Charges for services	\$ 5,379	\$ 10,135
Operating grants and contributions	52,133	50,778
Capital grants and contributions	11,250	-
General revenues:		
Taxes	2,802,777	2,780,142
Urban revenue sharing	167,194	153,222
Investment earnings	3,925	4,600
Other revenue/(expense)	911	220
Total revenues	<u>3,043,569</u>	<u>2,999,097</u>
Expenses:		
General government	624,697	595,818
Public safety	400,171	340,944
Public works/Streets	11,321	12,644
Parks and recreation	54,015	1,299
Facilities and grounds	53,437	66,711
Total expenses	<u>1,143,641</u>	<u>1,017,416</u>
Increase (Decrease) in net assets before transfers	1,899,928	1,981,681
Transfers	-	-
Net position, beginning	5,080,472	3,098,791
Net position, ending	<u>\$ 6,980,400</u>	<u>\$ 5,080,472</u>

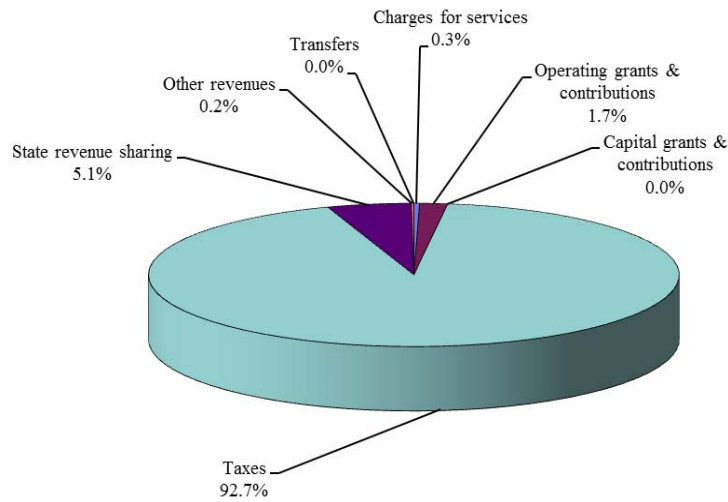
Total resources available during the year to finance governmental operations were \$8.12 million consisting of net position at July 1, 2013 of \$5.08 million, program revenues of \$68,782 and General Revenues of \$2.97 million. Total Governmental Activities during the year were \$1.14 million; thus Governmental Net Position increased by \$1.9 million to a total of \$6,980,400.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all governmental activities:

Expenses and Program Revenues - Governmental Activities
(in Thousands)



Revenue By Source - Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$5,725,530, an increase of \$1,725,308 in comparison with the prior year. Approximately 98% or \$5,592,153 constitutes unassigned fund balance which is available for spending at the government's discretion. The remainder of the fund balance, or \$133,377, is restricted to indicate that it is not available for new spending because it has already been committed to pay for highways and streets.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance in the General fund was \$5,548,791. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The unassigned fund balance at year end represents 425% of the total General Fund fiscal year 2014 expenditures. During the year, the General Fund balance increased by \$1,651,474. The Town budgeted to increase the fund balance by \$36,662. The excess revenues over expenditures (fund balance) are anticipated to be expended in future years.

The Highway User Revenue Fund has a total fund balance of \$176,739, of which \$133,377 is restricted for road construction and maintenance. The fund balance increased during the current year by \$73,834. There were expenditures totaling \$1,186 for roadside landscape maintenance in the current year.

Budgetary Highlights

General Fund revenues of \$2,957,298 were \$386,636 greater than budgeted revenues of \$2,570,662. Greater than anticipated revenue from taxes was the major factor contributing to this variance. General Fund expenditures were \$1,228,176 less than budgeted. The Town had many planned expenditures that were not made during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions including infrastructure assets. Capital assets include land, buildings, improvements other than buildings, equipment, vehicles, park facilities and roads. At the end of fiscal year 2014, net capital assets of the government activities totaled \$1,254,870. The Town purchases a vehicle and a Bobcat to assist with snow removal during fiscal year 2014 at a total cost of \$99,100. In addition, the Town contributed \$80,457 toward fencing and providing ground material, which was completed during fiscal year 2014. Depreciation on capital assets for government activities is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.)

Debt

At year-end, the Town did not have any long-term debt.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for fiscal year 2014/2015, the Town Council and management were cautious as to the growth of revenues and expenditures due to a slow economy. Overall governmental fund operating expenditures were budgeted to increase slightly due to increased levels of service.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact: Town of Tusayan, Finance Department, P.O. Box 709, Tusayan, Arizona 86023.

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BASIC FINANCIAL STATEMENTS

TOWN OF TUSAYAN, ARIZONA
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,522,947
Receivables (net of allowance)	319,228
Capital assets (net of accumulated depreciation):	
Construction in progress	13,791
Buildings	642,264
Improvements other than buildings	437,123
Furniture, equipment & vehicles	161,692
Total assets	7,097,045
Liabilities	
Accounts payable and other current liabilities	116,645
Noncurrent liabilities:	
Due within one year	-
Due in more than one year	-
Total liabilities	116,645
Net Position	
Net investment in capital assets	1,254,870
Restricted for:	
Highways & streets	133,377
Unrestricted	5,592,153
Total net position	\$ 6,980,400

The accompanying notes are an integral part of the financial statements.

TOWN OF TUSAYAN ARIZONA
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Total
Governmental activities:						
General government	\$ 624,697	\$ 5,379	\$ -	\$ -	\$ (619,318)	\$ (619,318)
Public safety	400,171	-	-	-	(400,171)	(400,171)
Public works/Streets	11,321	-	52,133	-	40,812	40,812
Parks & recreation	54,015	-	-	11,250	(42,765)	(42,765)
Facilities & grounds	53,437	-	-	-	(53,437)	(53,437)
Total governmental activities	<u>1,143,641</u>	<u>5,379</u>	<u>52,133</u>	<u>11,250</u>	<u>(1,074,879)</u>	<u>(1,074,879)</u>
Total primary government	<u>\$ 1,143,641</u>	<u>\$ 5,379</u>	<u>\$ 52,133</u>	<u>\$ 11,250</u>	<u>(1,074,879)</u>	<u>(1,074,879)</u>
General Revenues:						
Taxes:						
City sales tax					2,731,320	2,731,320
State sales tax					48,570	48,570
Auto lieu tax					22,887	22,887
Urban revenue sharing					167,194	167,194
Unrestricted investment earnings					3,925	3,925
Miscellaneous					911	911
Total general revenues & transfers					<u>2,974,807</u>	<u>2,974,807</u>
Change in net position					1,899,928	1,899,928
Net position - beginning					<u>5,080,472</u>	<u>5,080,472</u>
Net position - ending					<u>\$ 6,980,400</u>	<u>\$ 6,980,400</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF TUSAYAN ARIZONA
Balance Sheet
Governmental Funds
June 30, 2014

Assets	General Fund	Highway Users Revenue Fund	Non-major Grants Fund	Total Governmental Funds
Cash and cash equivalents	\$ 5,353,228	\$ 169,719	\$ -	\$ 5,522,947
Receivables, net:				
Intergovernmental	288,753	7,020	11,250	307,023
Due from other funds	12,205	-	-	12,205
Total Assets	<u>\$ 5,654,186</u>	<u>\$ 176,739</u>	<u>\$ 11,250</u>	<u>\$ 5,842,175</u>
 Liabilities				
Accounts Payable	\$ 55,594	\$ -	\$ -	\$ 55,594
Accrued wages and benefits	49,801	-	-	49,801
Due to other funds	-	-	11,250	11,250
Total Liabilities	<u>105,395</u>	<u>-</u>	<u>11,250</u>	<u>116,645</u>
 Fund Balances				
Restricted for:			-	
Public works/streets	-	133,377		133,377
Unassigned	5,548,791	43,362	-	5,592,153
Total fund balances	<u>5,548,791</u>	<u>176,739</u>	<u>-</u>	<u>5,725,530</u>
Total Liabilities and fund balances	<u>\$ 5,654,186</u>	<u>\$ 176,739</u>	<u>\$ 11,250</u>	<u>\$ 5,842,175</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF TUSAYAN ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2014

Total fund balances - governmental funds \$ 5,725,530

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	\$ 1,339,899	
Accumulated depreciation	<u>(85,029)</u>	
		1,254,870

Total net position - governmental activities \$ 6,980,400

The accompanying notes are an integral part of the financial statements.

TOWN OF TUSAYAN ARIZONA
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2014

REVENUES	General Fund	Highway Users Revenue Fund	Non-major Grants Fund	Total Governmental Funds
Sales taxes	\$ 2,731,319	\$ -	\$ -	\$ 2,731,319
Licenses and permits	5,379	-	-	5,379
Intergovernmental	215,764	75,020	11,250	302,034
Interest revenue	3,925	-	-	3,925
Other revenues	911	-	-	911
Total revenues	<u>2,957,298</u>	<u>75,020</u>	<u>11,250</u>	<u>3,043,568</u>
EXPENDITURES				
Current:				
General government	597,137	-	-	597,137
Public safety	400,171	-	-	400,171
Public works/streets	-	1,186	-	1,186
Parks & recreation	135,406	-	11,250	146,656
Facilities & grounds	75,930	-	-	75,930
Capital outlay	97,180	-	-	97,180
Total expenditures	<u>1,305,824</u>	<u>1,186</u>	<u>11,250</u>	<u>1,318,260</u>
Excess of Revenues				
Over (Under) Expenditures	1,651,474	73,834	-	1,725,308
Fund balances, beginning of year	<u>3,897,317</u>	<u>102,905</u>	<u>-</u>	<u>4,000,222</u>
Fund balances, end of year	<u>\$ 5,548,791</u>	<u>\$ 176,739</u>	<u>\$ -</u>	<u>\$ 5,725,530</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF TUSAYAN ARIZONA
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2014

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds		\$ 1,725,308
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay	\$ 229,574	
Depreciation expense	(54,954)	
	174,620	
Change in net position of governmental activities		\$ 1,899,928

The accompanying notes are an integral part of the financial statements.

TOWN OF TUSAYAN ARIZONA
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
Budget & Actual
For the Year Ended June 30, 2014

REVENUES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Taxes	\$ 2,300,000	\$ 2,300,000	\$ 2,731,319	\$ 431,319
Licenses, permits and fees	50,100	50,100	5,379	(44,721)
Intergovernmental revenue	215,562	215,562	215,764	202
Interest	5,000	5,000	3,925	(1,075)
Other revenues	-	-	911	911
Total revenues	2,570,662	2,570,662	2,957,298	386,636
EXPENDITURES				
Current:				
General government	1,159,000	1,159,000	597,137	561,863
Public safety	539,000	539,000	400,171	138,829
Parks & recreation	90,000	160,000	135,406	24,594
Facilities & grounds	86,000	86,000	75,930	10,070
Capital outlay	660,000	590,000	97,180	492,820
Total expenditures	2,534,000	2,534,000	1,305,824	1,228,176
Excess of Revenues Over (Under) Expenditures	36,662	36,662	1,651,474	1,614,812
Fund balance, beginning of year	3,897,317	3,897,317	3,897,317	-
Fund balance, end of year	\$ 3,933,979	\$ 3,933,979	\$ 5,548,791	\$ 1,614,812

The accompanying notes are an integral part of the financial statements.

TOWN OF TUSAYAN ARIZONA
Statement of Fiduciary Net Position
Agency Fund
June 30, 2014

	<u>STILO Agency Fund</u>
ASSETS	
Accounts receivable	\$ 2,815
Total assets	<u>2,815</u>
LIABILITIES	
Accounts payable	\$ 1,860
Due to other funds	<u>955</u>
Total liabilities	<u>2,815</u>
NET POSITION	
Net Position (Deficit) Held in Trust	<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting entity

The Town of Tusayan (Town) was incorporated in April 2010, under the provisions of Article 13, Sections 1 through 6, of the Constitution of Arizona and Title 9 of the Arizona Revised Statutes. The Town is a municipal corporation governed by an elected five member council (council). The council members appoint the mayor and vice-mayor. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Town. Currently, there are no blended or discretely presented component units reported with the Town.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of presentation – fund financial statements

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

The Town reports the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The **Highway User Revenue Special Revenue Fund** is used to account for the Town's share of motor fuel tax revenues which are restricted for the maintaining, repairing, and upgrading of streets.

Additionally, the Town reports the following fund types:

The **Agency Fund** accounts for assets held by the Town as an agent for a developer, the STILO Group. The developer is paying for planning services and all application costs based upon an agreement between the developer and the Town. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

During the course of operations the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and agency funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

The governmental fund financial statements are reported using the *current financial resources measurement focus* and *the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Sales taxes, other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the Town.

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Deposits and investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, deposits in cash management pools that have the general characteristics of demand deposits accounts and short-term investments with original maturities of three months or less from the date of acquisition. The Town's policy for investments is provided in Note 4. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from other funds. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Inventories

The cost of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activity column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years.

As the Town constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	25 to 50 years
Machinery, vehicles and equipment	5 to 10 years
Storm drains and inlets	20 years
Infrastructure - Streets and sidewalks	20 years

Unearned revenue

Unearned revenues arise when potential revenue is received by the Town from various granting agencies before it has a legal claim to them or when grant monies are received prior to the incurrence of qualifying expenditures, i.e., contract and grant receipts received in excess of expenditures incurred are recognized as unearned revenue. In subsequent periods, when the revenue recognition criteria is met, or when the Town has a legal claim to the resources, the liability or unearned revenue is removed from the balance sheet and the revenue is recognized.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has no items that qualify for reporting in this category.

Net position flow assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The Town Manager is authorized to assign amount to a specific purpose in accordance with the Town's budget policy. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Taxes

The Town does not currently have any primary or secondary real property tax levies.

Normally, property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid.

Compensated absences

For governmental funds, amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Currently, the Town has no full time employees and no liabilities for compensated absences.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of this difference are reported in the reconciliation on page 15.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 17.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 3. Stewardship, Compliance, and Accountability

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Town. The use of budgets and monitoring of equity status facilitate the Town's compliance with legal requirements.

Budgets and Budgetary Accounting

The Town Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the Town is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. The Town follows a voter-approved alternative expenditure limitation that was adopted on July 14, 2010.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without Town Council approval.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 3. Stewardship, Compliance, and Accountability, Continued

Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2014.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

Note 4. Deposits and Investments

A reconciliation of cash and investments as shown on the statement of net position follows:

Cash and cash equivalents	\$	5,522,947
Investments		-
Restricted cash and cash equivalents		-
		<hr/>
	\$	<u>5,522,947</u>

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. At June 30, 2014, cash on hand was \$0, and the carrying amount of the Town's deposits was \$5,522,947. As of June 30, 2014, the Town's bank balance of \$5,558,958 was fully insured or collateralized.

Investments

The Arizona State Treasurer's Office operates the Local Government Investment Pool (LGIP). The LGIP is available for investment of funds administered by any Arizona Public Treasurer.

The LGIP is not registered with the SEC as an investment company. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 4. Deposits and Investments, Continued

The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investments in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated “P-1” by Moody’s investors or “A-1” by Standard and Poor’s rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

As of June 30, 2014 the Town did not hold any funds in the LGIP or any other investments.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (A.R.S. 35- 323) which requires that the Town’s investment portfolio maturities do not exceed five years from the time of purchase.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town’s policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323) which limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor’s and Moody’s Investor Services.

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TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 5. Capital Assets

Governmental Activities:	Balance 6/30/2013	Additions	Deletions	Balance 6/30/2014
Capital assets, not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	<u>24,680</u>	<u>39,217</u>	<u>(50,106)</u>	<u>13,791</u>
Total capital assets, not being depreciated	<u>24,680</u>	<u>39,217</u>	<u>(50,106)</u>	<u>13,791</u>
Capital assets, being depreciated:				
Buildings	666,043	10,800	-	676,843
Improvements other than buildings	390,569	80,457	-	471,026
Furniture, equipment & vehicles	29,033	149,206	-	178,239
Infrastructure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, being depreciated	<u>1,085,645</u>	<u>240,463</u>	<u>-</u>	<u>1,326,108</u>
Less accumulated depreciation for:				
Buildings	(14,962)	(19,617)	-	(34,579)
Improvements other than buildings	(11,383)	(22,520)	-	(33,903)
Furniture, equipment & vehicles	(3,730)	(12,817)	-	(16,547)
Infrastructure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total accumulated depreciation	<u>(30,075)</u>	<u>(54,954)</u>	<u>-</u>	<u>(85,029)</u>
Total capital assets, being depreciated, net	<u>1,055,570</u>	<u>185,509</u>	<u>-</u>	<u>1,241,079</u>
Governmental activities capital assets, net	<u>\$ 1,080,250</u>	<u>\$ 224,726</u>	<u>\$ (50,106)</u>	<u>\$ 1,254,870</u>

Depreciation expense was charged to the functions/programs of the Town as follows:

Governmental Activities:	
General government	\$ 27,560
Public works/streets	10,135
Parks & recreation	<u>17,259</u>
Total depreciation expense - governmental activities	<u>\$ 54,954</u>

Note 6. Long-Term Debt

The Town does not have any long-term obligations or capital leases outstanding for the year ended June 30, 2014.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 7. Interfund Receivables, Payables and Transfers

As of June 30, 2014, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 12,205	\$ -
Grants Fund	-	11,250
STILO Fund	-	955
	\$ 12,205	\$ 12,205

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts are expected to be repaid within one year.

Note 8. Retirement and Pension Plans

Plan Description - The Town contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System (ASRS). Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The system is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing ASRS, 3300 North Central Avenue, P.O. Box 33910, Phoenix AZ 85067-3910 or by calling (602) 240-2002 or (800) 621-3778.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rates. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.54 percent (11.3 percent for retirement, and 0.24 percent for long-term disability) of the members' annual covered payroll and the Town was required to contribute 11.54 percent (10.70 percent for retirement, 0.60 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

As of June 30, 2014, the Town was still in the process of finalizing the set up process with ASRS, but had accrued a liability in the amount of \$32,329 that is to be deposited with ASRS once this process is complete.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 9. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for general liability, professional liability, auto liability and physical damage coverage is for \$2,000,000 per occurrence on a claims made basis.

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

Note 10. Contingencies

The Town is involved with various matters of litigation from year to year. It is the opinion of Town officials that these cases will either be handled by the Town's insurance coverage or that they will not have a material effect on the Town's financial condition.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town does not anticipate any such amounts.

Note 11. Stabilization Arrangement

The Town has established a General Fund reserve policy to set aside funds that may be needed in the event of an emergency or other unknown event that may adversely affect the Town's financial condition. An emergency reserve of \$250,000, an operating reserve of \$750,000 and a budget stabilization reserve of \$500,000 must be maintained before any expenditure can be authorized. The trigger amount for usage of the operating reserve and the budget stabilization reserve is \$300,000. As of June 30, 2014 the total reserve is \$1,500,000 and is included in the unassigned fund balance of the General Fund.

TOWN OF TUSAYAN, ARIZONA

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING MAJOR FUNDS:

General Fund – Detail Budget-to-Actual

The **General Fund** is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

Major Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

- **Highway User Revenue Fund** (Streets) – This fund is used to account for the Town’s share of motor fuel tax revenues which are restricted for the maintaining, repairing, and upgrading of streets.

TOWN OF TUSAYAN, ARIZONA
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund
Budget & Actual
For the Year Ended June 30, 2014

REVENUES:	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
City sales tax	<u>\$ 2,300,000</u>	<u>\$ 2,300,000</u>	<u>\$ 2,731,319</u>	<u>\$ 431,319</u>
Total Taxes	<u>2,300,000</u>	<u>2,300,000</u>	<u>2,731,319</u>	<u>431,319</u>
Licenses, Permits and Fees:				
Licenses and permits	100	100	100	-
Building permits	<u>50,000</u>	<u>50,000</u>	<u>5,279</u>	<u>(44,721)</u>
Total Licenses, Fees and Permits	<u>50,100</u>	<u>50,100</u>	<u>5,379</u>	<u>(44,721)</u>
Intergovernmental:				
State sales tax	48,215	48,215	48,570	355
Urban revenue sharing	<u>167,347</u>	<u>167,347</u>	<u>167,194</u>	<u>(153)</u>
Total Intergovernmental	<u>215,562</u>	<u>215,562</u>	<u>215,764</u>	<u>202</u>
Interest:				
Interest revenue	<u>5,000</u>	<u>5,000</u>	<u>3,925</u>	<u>(1,075)</u>
Total Interest	<u>5,000</u>	<u>5,000</u>	<u>3,925</u>	<u>(1,075)</u>
Other Revenues:				
Contributions and donations	-	-	710	710
Miscellaneous revenue	-	-	201	201
Total Other Revenues	<u>-</u>	<u>-</u>	<u>911</u>	<u>911</u>
TOTAL REVENUES	<u>2,570,662</u>	<u>2,570,662</u>	<u>2,957,298</u>	<u>386,636</u>

(continued)

TOWN OF TUSAYAN, ARIZONA
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund
Budget & Actual (Continued)
For the Year Ended June 30, 2014

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
General Government:				
Mayor & Council	91,000	91,000	42,756	48,244
City Manager	412,000	412,000	244,303	167,697
Legal	144,000	144,000	31,074	112,926
Planning & Development	235,000	235,000	128,794	106,206
Magistrate	27,000	27,000	19,085	7,915
Contingency	250,000	250,000	131,125	118,875
Total General Government	1,159,000	1,159,000	597,137	561,863
Public Safety:				
Sheriff	539,000	539,000	400,171	138,829
Total Public Safety	539,000	539,000	400,171	138,829
Parks & Recreation				
Parks & Recreation	90,000	160,000	135,406	24,594
Total Parks & Recreation	90,000	160,000	135,406	24,594
Facilities & Grounds:				
Facilities & Grounds	86,000	86,000	75,930	10,070
Total Facilities & Grounds	86,000	86,000	75,930	10,070
Capital Outlay:				
Capital Outlay	660,000	590,000	97,180	492,820
Total Capital Outlay	660,000	590,000	97,180	492,820
TOTAL EXPENDITURES	2,534,000	2,534,000	1,305,824	1,228,176
Excess of Revenues Over/(Under) Expenditures	36,662	36,662	1,651,474	1,614,812
Fund balance, beginning of year	3,897,317	3,897,317	3,897,317	-
Fund balance, end of year	\$ 3,933,979	\$ 3,933,979	\$ 5,548,791	\$ 1,614,812

TOWN OF TUSAYAN, ARIZONA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Highway User Revenue Special Revenue Fund
Budget & Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 77,055	\$ 77,055	\$ 75,020	\$ (2,035)
Total revenue	<u>77,055</u>	<u>77,055</u>	<u>75,020</u>	<u>(2,035)</u>
EXPENDITURES:				
Current:				
Public works/streets	<u>70,000</u>	<u>70,000</u>	<u>1,186</u>	<u>68,814</u>
Total expenditures	<u>70,000</u>	<u>70,000</u>	<u>1,186</u>	<u>68,814</u>
Excess of Revenues Over (Under) Expenditures	7,055	7,055	73,834	66,779
Fund balance, beginning of year	<u>102,905</u>	<u>102,905</u>	<u>102,905</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 109,960</u></u>	<u><u>\$ 109,960</u></u>	<u><u>\$ 176,739</u></u>	<u><u>\$ 66,779</u></u>

TOWN OF TUSAYAN, ARIZONA
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

- **Grants Fund** – This fund is used to account for federal and state grants and other contributions that are restricted for specific use.

TOWN OF TUSAYAN, ARIZONA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Grants Special Revenue Fund
Budget & Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 215,000	\$ 215,000	\$ 11,250	\$ (203,750)
Total revenues	<u>215,000</u>	<u>215,000</u>	<u>11,250</u>	<u>(203,750)</u>
EXPENDITURES:				
Parks and recreation	<u>215,000</u>	<u>215,000</u>	<u>11,250</u>	<u>203,750</u>
Total Expenditures	<u>215,000</u>	<u>215,000</u>	<u>11,250</u>	<u>203,750</u>
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

The Honorable Mayor and
Town Council
Tusayan, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Tusayan, Arizona as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Tusayan, Arizona's basic financial statements and have issued our report thereon dated February 6, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Tusayan, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Tusayan, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Tusayan, Arizona's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying

schedule of findings and recommendations that we consider to be significant deficiencies.

- 11-1 Year-End Accounting and Financial Statement Controls
- 11-2 Segregation of Duties
- 11-3 Policies and Procedures

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to the management of the Town in the schedule of findings and recommendations dated February 6, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC
Flagstaff, Arizona
February 6, 2015

**Independent Auditors' Report on
State Legal Compliance**

The Honorable Mayor and
Town Council
Tusayan, Arizona

We have audited the basic financial statements of the Town of Tusayan, Arizona for the year ended June 30, 2014, and have issued our report thereon dated February 6, 2015. Our audit also included test work on the Town of Tusayan's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

The management of the Town of Tusayan is responsible for the Town's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

The Town of Tusayan has established separate funds to account for Highway User Revenue funds. Highway user revenue fund monies received by the Town of Tusayan pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes. The funds are administered in accordance with Generally Accepted Accounting Principles. Sources of revenues available and fund balances are reflected in the individual fund financial statements.

Our opinion regarding the Town's compliance with annual expenditure limitations has been issued separately with the Town's Annual Expenditure Limitation Report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Town of Tusayan complied, in all material respects, with the requirements identified above for the year ended June 30, 2014.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.

Hinton Burdick, PLLC

HintonBurdick, PLLC
Flagstaff, Arizona
February 6, 2015