

TOWN OF TUSAYAN, ARIZONA



FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2018

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF TUSAYAN

Table of Contents

	<u>Page</u>
Independent Auditors' Report on Financial Statements.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Fiduciary Net Position – STILO Trust Agency Fund	18
Notes to Financial Statements	19
Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension/OPEB Liabilities.....	40
Schedule of Pension/OPEB Contributions.....	42
Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund – Budget and Actual.....	46
Statement of Revenues, Expenditures, and Changes in Fund Balances – HURF Fund – Budget and Actual.....	48
Statement of Revenues, Expenditures, and Changes in Fund Balances – Grants Fund – Budget and Actual.....	49
Other Communications from Independent Auditor:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters	53
Report on Compliance with State Laws and Regulations.....	55

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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, 2018, 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, 2018, and the respective changes in financial position 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, budgetary comparison information and pension/OPEB schedules 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 May 17, 2019, 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
Gilbert, Arizona
May 17, 2019

BASIC FINANCIAL STATEMENTS

TOWN OF TUSAYAN, ARIZONA
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash and investments	\$ 13,093,068
Receivables (net of allowance)	463,700
Prepaid expense	13,967
Capital assets (net of accumulated depreciation):	
Construction in progress	845,268
Buildings	1,047,024
Improvements other than buildings	906,968
Furniture, equipment & vehicles	210,486
Total assets	16,580,481
Deferred Outflows of Resources	
Deferred outflows related to pensions/OPEB	105,605
Total deferred outflows of resources	105,605
Liabilities	
Accounts payable and other current liabilities	63,716
Noncurrent liabilities:	
Net pension/OPEB liability	350,084
Total liabilities	413,800
Deferred Inflows of Resources	
Deferred inflows related to pensions/OPEB	34,221
Total deferred inflows of resources	34,221
Net investment in capital assets	3,009,746
Restricted for:	
Highways & streets	243,322
Unrestricted	12,984,997
Total net position	\$ 16,238,065

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

TOWN OF TUSAYAN ARIZONA
Statement of Activities
Governmental Funds
For the Year Ended June 30, 2018

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	\$ 1,392,286	\$ 19,889	\$ -	\$ -	\$ (1,372,397)	\$ (1,372,397)
Public safety	854,850	-	-	-	(854,850)	(854,850)
Public works/Streets	110,884	-	68,078	-	(42,806)	(42,806)
Parks & recreation	108,977	-	-	-	(108,977)	(108,977)
Facilities & grounds	168,693	-	-	-	(168,693)	(168,693)
Total governmental activities	<u>2,635,690</u>	<u>19,889</u>	<u>68,078</u>	<u>-</u>	<u>(2,547,723)</u>	<u>(2,547,723)</u>
Total primary government	<u>\$ 2,635,690</u>	<u>\$ 19,889</u>	<u>\$ 68,078</u>	<u>\$ -</u>	<u>(2,547,723)</u>	<u>(2,547,723)</u>
General Revenues:						
Taxes:						
City sales tax					4,399,662	4,399,662
State sales tax					56,704	56,704
Auto lieu tax					27,287	27,287
Urban revenue sharing					185,789	185,789
Unrestricted investment earnings					7,082	7,082
Total general revenues & transfers					<u>4,676,524</u>	<u>4,676,524</u>
Change in net position					2,128,801	2,128,801
Net position - beginning					13,998,265	13,998,265
Prior period adjustment					<u>110,999</u>	<u>110,999</u>
Net position - ending					<u>\$ 16,238,065</u>	<u>\$ 16,238,065</u>

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

TOWN OF TUSAYAN ARIZONA
Balance Sheet
Governmental Funds
June 30, 2018

Assets	General Fund	Highway Users Revenue Fund	Grants Fund	Total Governmental Funds
Cash and investments	\$ 12,731,980	\$ 361,088	\$ -	\$ 13,093,068
Receivables, net:				
Intergovernmental	441,242	7,177	-	448,419
Due from other funds	15,281	-	-	15,281
Prepays	13,967	-	-	13,967
Total Assets	<u>\$ 13,202,470</u>	<u>\$ 368,265</u>	<u>\$ -</u>	<u>\$ 13,570,735</u>
Liabilities				
Accounts Payable	\$ 50,652	\$ -	\$ -	\$ 50,652
Accrued wages and benefits	13,064	-	-	13,064
Total Liabilities	<u>63,716</u>	<u>-</u>	<u>-</u>	<u>63,716</u>
Fund Balances				
Nonspendable:				
Prepaid items	13,967	-	-	13,967
Restricted for:				
Public works/streets	-	243,322	-	243,322
Unassigned	13,124,787	124,943	-	13,249,730
Total fund balances	<u>13,138,754</u>	<u>368,265</u>	<u>-</u>	<u>13,507,019</u>
Total Liabilities and fund balances	<u>\$ 13,202,470</u>	<u>\$ 368,265</u>	<u>\$ -</u>	<u>\$ 13,570,735</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, 2018

Total fund balances - governmental funds		\$ 13,507,019
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	\$ 3,430,416	
Accumulated depreciation	<u>(420,670)</u>	
		3,009,746
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows	105,605	
Deferred inflows	<u>(34,221)</u>	
		71,384
Some liabilities, including the net pension/OPEB liabilities, are not due and payable in the current period and, therefore are not reported in the funds.		
		<u>(350,084)</u>
Total net position - governmental activities		<u><u>\$ 16,238,065</u></u>

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, 2018

REVENUES	General Fund	Highway Users Revenue Fund	Grants Fund	Total Governmental Funds
Sales taxes	\$ 4,399,662	\$ -	\$ -	\$ 4,399,662
Licenses and permits	19,890	-	-	19,890
Intergovernmental	242,493	95,364	-	337,857
Interest revenue	7,082	-	-	7,082
Other revenues	-	-	-	-
Total revenues	<u>4,669,127</u>	<u>95,364</u>	<u>-</u>	<u>4,764,491</u>
EXPENDITURES				
Current:				
General government	1,238,828	-	-	1,238,828
Public safety	854,850	-	-	854,850
Public works/streets	-	75,244	-	75,244
Parks & recreation	155,620	-	-	155,620
Facilities & grounds	168,693	-	-	168,693
Capital outlay	532,769	-	-	532,769
Total expenditures	<u>2,950,760</u>	<u>75,244</u>	<u>-</u>	<u>3,026,004</u>
Excess of Revenues				
Over (Under) Expenditures	1,718,367	20,120	-	1,738,487
Fund balances, beginning of year	<u>11,420,387</u>	<u>348,145</u>	<u>-</u>	<u>11,768,532</u>
Fund balances, end of year	<u>\$ 13,138,754</u>	<u>\$ 368,265</u>	<u>\$ -</u>	<u>\$ 13,507,019</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, 2018

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

Net change in fund balances - total governmental funds		\$ 1,738,487
<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 difference between capital outlay and depreciation in the current period.</p>		
Capital outlay	\$ 606,816	
Depreciation expense	<u>(110,091)</u>	
		496,725
<p>Pension and OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.</p>		
		<u>(106,411)</u>
Change in net position of governmental activities		<u><u>\$ 2,128,801</u></u>

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

TOWN OF TUSAYAN ARIZONA
Statement of Fiduciary Net Position
Agency Fund
June 30, 2018

	<u>STILO Agency Fund</u>
ASSETS	
Accounts receivable	<u>\$ 15,281</u>
Total assets	<u>15,281</u>
LIABILITIES	
Due to other funds	<u>15,281</u>
Total liabilities	<u>15,281</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, 2018

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, 2018

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, 2018

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, 2018

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 acquisition 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, 2018

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 government currently has one item which qualifies for reporting in this category. This item is a pension/OPEB related item reported on the government-wide financial statements. See note 8 for more information.

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 government currently has one item which qualifies for reporting in this category. This item is a pension/OPEB related item reported on the government-wide financial statements. See note 8 for more information.

Pensions and postemployment benefits

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the pension plan's fiduciary net position of the Arizona State Retirement System (ASRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by ASRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies, Continued

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).

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.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies, Continued

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.

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, 2018

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 August 26, 2014.
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, 2018

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, 2018, if any.

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 investments	<u>\$ 13,093,068</u>
Total cash and investments	<u><u>\$ 13,093,068</u></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, 2018, cash on hand was \$0, and the carrying amount of the Town's deposits was \$5,943,361. As of June 30, 2018, the Town's bank balance was \$6,311,939 and none of that balance was exposed to custodial credit risk because it was covered by FDIC insurance or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Town's name.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 4. Deposits and Investments, Continued

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.

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, 2018 the Town did not hold any funds in the LGIP.

As of June 30, 2018 the Town had the following deposits and investments:

	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (Years)</u>
Cash on deposit	\$ 5,943,361	N/A	N/A
Money market fund	154,623	N/A	N/A
Certificates of deposit	<u>6,995,084</u>	N/A	less than 1 to 5
Total Fair Value	<u>\$ 13,093,068</u>		

(1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.

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.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 4. Deposits and Investments, Continued

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.

Fair value measurements

As noted above, the Town holds investments that are measured at fair value on a reoccurring basis. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quotes prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The certificates of deposit and money market fund, as listed above, are valued using inputs other than quoted prices, that are observable (Level 2 inputs).

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TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 5. Capital Assets

The following table summarizes the changes to capital assets for governmental activities during the year.

Governmental Activities:	Balance 6/30/2017	Additions	Deletions	Adjustments *	Balance 6/30/2018
Capital assets, not being depreciated:					
Construction in progress	\$ 746,476	\$ 519,704	\$ (531,911)	\$ 110,999	\$ 845,268
Total capital assets, not being depreciated	<u>746,476</u>	<u>519,704</u>	<u>(531,911)</u>	<u>110,999</u>	<u>845,268</u>
Capital assets, being depreciated:					
Buildings	1,191,735	-	-	-	1,191,735
Improvements other than buildings	528,031	531,911	-	-	1,059,942
Furniture, equipment & vehicles	246,359	87,112	-	-	333,471
Total capital assets, being depreciated	<u>1,966,125</u>	<u>619,023</u>	<u>-</u>	<u>-</u>	<u>2,585,148</u>
Less accumulated depreciation for:					
Buildings	(105,830)	(38,881)	-	-	(144,711)
Improvements other than buildings	(116,009)	(36,965)	-	-	(152,974)
Furniture, equipment & vehicles	(88,740)	(34,245)	-	-	(122,985)
Total accumulated depreciation	<u>(310,579)</u>	<u>(110,091)</u>	<u>-</u>	<u>-</u>	<u>(420,670)</u>
Total capital assets, being depreciated, net	<u>1,655,546</u>	<u>508,932</u>	<u>-</u>	<u>-</u>	<u>2,164,478</u>
Governmental activities capital assets, net	<u>\$ 2,402,022</u>	<u>\$ 1,028,636</u>	<u>\$ (531,911)</u>	<u>\$ 110,999</u>	<u>\$ 3,009,746</u>

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

Governmental Activities:	
General government	\$ 35,014
Public works/streets	35,640
Parks & recreation	<u>39,437</u>
Total depreciation expense - governmental activities	<u>\$ 110,091</u>

* - An adjustment was made to add back a park development - ball field project that was continued in 2018 that had previously been discontinued.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 6. Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

Governmental Activities:	Balance 6/30/17	Additions	Retirements	Balance 6/30/18
Net pension liability	\$ 306,679	\$ 43,405	\$ -	\$ 350,084
Total long-term liabilities	<u>\$ 306,679</u>	<u>\$ 43,405</u>	<u>\$ -</u>	<u>\$ 350,084</u>

Note 7. Interfund Receivables, Payables and Transfers

As of June 30, 2018, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 15,281	\$ -
STILO Fund	-	15,281
	<u>\$ 15,281</u>	<u>\$ 15,281</u>

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.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 8. Retirement and Pension Plans

The Town contributes to the plan described below. The plan is a component unit of the State of Arizona.

Arizona State Retirement System (ASRS)

The Town contributes to the Arizona State Retirement System (ASRS) as described below. The plan is a component unit of the State of Arizona.

Plan Description – The Town participates in the Arizona State Retirement System. The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azars.gov.

Benefits provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date Before July 1, 2011	Initial Membership Date On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 8. Retirement and Pension Plans, Continued

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.5 percent (11.34 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.5 percent (10.9 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll.

The Town's contributions for the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2018, were \$25,151, \$1,015, and \$369, respectively.

Liability – At June 30, 2018, the Town reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	Net pension/OPEB (asset) liability
Pension	\$ 350,506
Health insurance premium benefit	(1,241)
Long-term disability	819
	<u>350,084</u>

The net asset and net liabilities were measured as of June 30, 2017. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

The Town's proportion of the net asset or liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 8. Retirement and Pension Plans, Continued

The Town's proportions measured as of June 30, 2017 and the change from its proportions measured as of June 30, 2016, were:

	Proportion <u>June 30, 2016</u>	Proportion <u>June 30, 2017</u>	Increase (decrease) from <u>June 30, 2016</u>
Pension	0.001900%	0.002250%	0.000350%
Health insurance premium benefit	0.002279%	0.002280%	0.000001%
Long-term disability	0.002260%	0.002260%	0.000000%

The net asset and net liabilities measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the Town's net asset and net liabilities as a result of these changes is not known.

Expense - For the year ended June 30, 2018, the Town recognized the following pension and OPEB expense:

	Pension/OPEB Expense
Pension	\$ 130,965
Health insurance premium benefit	725
Long-term disability	437

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 8. Retirement and Pension Plans, Continued

Deferred outflows/inflows of resources

At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit		Long-Term Disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,510	\$ -	\$ -	\$ -	\$ -
Changes of assumptions or other inputs	15,223	10,481	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	2,516	-	-	1,398	-	123
Changes in proportion and differences between contributions and proportionate share of contributions	61,331	11,709	-	-	-	-
Contributions subsequent to the measurement date	25,151	-	1,015	-	369	-
Total	<u>\$ 104,221</u>	<u>\$ 32,700</u>	<u>\$ 1,015</u>	<u>\$ 1,398</u>	<u>\$ 369</u>	<u>\$ 123</u>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized as expenses as follows:

Year Ended June 30	Pension	Health Insurance Premium Benefit	Long-term disability
2019	\$ 16,196	\$ (349)	\$ (31)
2020	30,393	(349)	(31)
2021	7,844	(349)	(31)
2022	(8,063)	(349)	(31)
2023	-	-	-
Thereafter	-	-	-

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 8. Retirement and Pension Plans, Continued

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75% for pension/not applicable for OPEB
Inflation	3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	1994 GAM Scale BB
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	58%	6.73%
Fixed income	25%	3.70%
Real Estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Totals	100%	

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2018

Note 8. Retirement and Pension Plans, Continued

Discount Rate – The discount rate used to measure the ASRS total pension/OPEB liability was 8 percent, which is less than the long-term expected rate of return of 8.7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the proportionate share of the net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the Town's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 8 percent, as well as what the Town's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of			
Net pension liability	\$ 449,881	\$ 350,506	\$ 267,470
Net insurance premium benefit liability (asset)	2,061	(1,241)	(4,048)
Net long-term disability liability	980	819	683

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report

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.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2018

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, 2018 the total reserve is \$1,500,000 and is included in the unassigned fund balance of the General Fund.

Note 12. Prior Period Adjustment

A prior period adjustment was made in 2018 to add back a park development - ball field project that was continued in 2018 that had previously been discontinued. The net effect is to increase construction in progress and net position reported on the Government-wide Statement of Net Position. This has no effect on the fund financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF TUSAYAN, ARIZONA
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2018

Arizona State Retirement System

ASRS - Pension	Reporting Fiscal Year		
	(Measurement Date)		
	2018	2017	2016
	(2017)	(2016)	(2015)
Proportion of the net pension liability (asset)	0.002250%	0.001900%	0.002090%
Proportionate share of the net pension liability (asset)	\$ 350,506	\$ 306,679	\$ 325,465
Covered payroll	\$ 231,115	\$ 227,278	\$ 177,108
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	151.66%	134.94%	183.77%
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

TOWN OF TUSAYAN, ARIZONA
Schedule of the Proportionate Share of the Net OPEB Liability
June 30, 2018

	Reporting Fiscal Year	
	(Measurement Date)	
	2018	2017
	(2017)	(2016)
ASRS - Health insurance premium benefit		
Proportion of the net OPEB (asset)	0.002280%	0.002279%
Proportionate share of the net OPEB (asset)	\$ (1,241)	\$ 659
Covered payroll	\$ 231,115	\$ 227,278
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-0.54%	0.29%
Plan fiduciary net position as a percentage of the total OPEB liability	103.57%	98.02%
 ASRS - Long-term disability		
	2018	2017
	(2017)	(2016)
Proportion of the net OPEB (asset)	0.002260%	0.002260%
Proportionate share of the net OPEB (asset)	\$ 819	\$ 812
Covered payroll	\$ 231,115	\$ 227,278
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	0.35%	0.36%
Plan fiduciary net position as a percentage of the total OPEB liability	84.44%	85.17%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedules above. Additional information will be displayed as it becomes available.

TOWN OF TUSAYAN, ARIZONA
Schedule of Pension Contributions
June 30, 2018

Arizona State Retirement System

ASRS - Pension	Reporting Fiscal Year		
	2018	2017	2016
Contractually required contribution	\$ 25,151	\$ 24,500	\$ 19,225
Contributions in relation to the contractually required contribution	\$ (25,151)	\$ (24,500)	\$ (19,225)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 235,367	\$ 231,115	\$ 227,278
Contributions as a percentage of covered payroll	10.69%	10.60%	8.46%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

TOWN OF TUSAYAN, ARIZONA
Schedule of OPEB Contributions
June 30, 2018

ASRS - Health insurance premium benefit	Reporting Fiscal Year	
	2018	2017
Contractually required contribution	\$ 1,015	\$ 1,227
Contributions in relation to the contractually required contribution	(1,015)	(1,227)
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 235,367	\$ 231,115
Contributions as a percentage of covered payroll	0.43%	0.53%
ASRS - Long-term disability		
	Reporting Fiscal Year	
	2018	2017
Contractually required contribution	\$ 369	\$ 307
Contributions in relation to the contractually required contribution	(369)	(307)
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 235,367	\$ 231,115
Contributions as a percentage of covered payroll	0.16%	0.13%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedules above. Additional information will be displayed as it becomes available

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TOWN OF TUSAYAN, ARIZONA

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING MAJOR FUNDS:

General Fund

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.
- **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
General Fund
Budget & Actual
For the Year Ended June 30, 2018

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	\$ 4,638,000	\$ 4,638,000	\$ 4,399,662	\$ (238,338)
Total Taxes	<u>4,638,000</u>	<u>4,638,000</u>	<u>4,399,662</u>	<u>(238,338)</u>
Licenses, Permits and Fees:				
Licenses and permits	2,250	2,250	620	(1,630)
Building permits	100,000	100,000	19,270	(80,730)
Total Licenses, Fees and Permits	<u>102,250</u>	<u>102,250</u>	<u>19,890</u>	<u>(82,360)</u>
Intergovernmental:				
State sales tax	55,427	55,427	56,704	1,277
Urban revenue sharing	185,769	185,769	185,789	20
Total Intergovernmental	<u>241,196</u>	<u>241,196</u>	<u>242,493</u>	<u>1,297</u>
Interest:				
Interest revenue	10,000	10,000	7,082	(2,918)
Total Interest	<u>10,000</u>	<u>10,000</u>	<u>7,082</u>	<u>(2,918)</u>
Other Revenues:				
Miscellaneous revenue	50,000	50,000	-	(50,000)
Total Other Revenues	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
TOTAL REVENUES	<u>\$ 5,041,446</u>	<u>\$ 5,041,446</u>	<u>\$ 4,669,127</u>	<u>\$ (372,319)</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, 2018

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
General Government:				
Mayor & Council	69,900	69,900	72,523	(2,623)
City Manager	611,082	611,082	699,270	(88,188)
Legal	235,000	235,000	62,913	172,087
Planning & Development	342,000	342,000	202,064	139,936
Magistrate	21,500	21,500	36,272	(14,772)
Contingency	46,000	46,000	165,786	(119,786)
Total General Government	<u>1,325,482</u>	<u>1,325,482</u>	<u>1,238,828</u>	<u>86,654</u>
Public Safety:				
Sheriff	909,405	909,405	854,850	54,555
Total Public Safety	<u>909,405</u>	<u>909,405</u>	<u>854,850</u>	<u>54,555</u>
Parks & Recreation				
Parks & Recreation	100,000	100,000	155,620	(55,620)
Total Parks & Recreation	<u>100,000</u>	<u>100,000</u>	<u>155,620</u>	<u>(55,620)</u>
Facilities & Grounds:				
Facilities & Grounds	102,000	102,000	168,693	(66,693)
Total Facilities & Grounds	<u>102,000</u>	<u>102,000</u>	<u>168,693</u>	<u>(66,693)</u>
Capital Outlay:				
Capital Outlay	9,666,005	9,666,005	532,769	9,133,236
Total Capital Outlay	<u>9,666,005</u>	<u>9,666,005</u>	<u>532,769</u>	<u>9,133,236</u>
TOTAL EXPENDITURES	<u>12,102,892</u>	<u>12,102,892</u>	<u>2,950,760</u>	<u>9,152,132</u>
Excess of Revenues Over/(Under) Expenditures	(7,061,446)	(7,061,446)	1,718,367	8,779,813
Fund balance, beginning of year	<u>11,420,387</u>	<u>11,420,387</u>	<u>11,420,387</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,358,941</u>	<u>\$ 4,358,941</u>	<u>\$ 13,138,754</u>	<u>\$ 8,779,813</u>

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 97,085	\$ 97,085	\$ 95,364	\$ (1,721)
Total revenue	97,085	97,085	95,364	(1,721)
EXPENDITURES:				
Current:				
Public works/streets	40,000	40,000	75,244	(35,244)
Total expenditures	40,000	40,000	75,244	(35,244)
Excess of Revenues Over (Under) Expenditures	57,085	57,085	20,120	(36,965)
Fund balance, beginning of year	348,145	348,145	348,145	-
Fund balance, end of year	<u>\$ 405,230</u>	<u>\$ 348,145</u>	<u>\$ 368,265</u>	<u>\$ (36,965)</u>

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 1,000,000	\$ 1,000,000	\$ -	\$ (1,000,000)
Total revenues	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>(1,000,000)</u>
EXPENDITURES:				
Parks and recreation	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Total Expenditures	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</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>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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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, 2018, 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 May 17, 2019.

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 separately issued findings and recommendations letter dated May 17, 2019 that we consider to be significant deficiencies.

2011-01	Year-End Accounting
2011-02	Segregation of Duties
2011-03	Policy and Procedure

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*.

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
Gilbert, Arizona
May 17, 2019



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, 2018, and have issued our report thereon dated May 17, 2019. 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, 2018.

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.


HintonBurdick, PLLC
Gilbert, Arizona
May 17, 2019

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