TOWN OF TUSAYAN, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2022

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THE TOWN OF TUSAYAN

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Tusayan, Arizona

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Town of Tusayan, Arizona as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Town of Tusayan, Arizona as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Tusayan, Arizona and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Tusayan, Arizona's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Tusayan, Arizona's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Tusayan, Arizona's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 March 7, 2023, on our consideration of the Town of Tusayan, Arizona'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 the results of that testing, and not to provide an opinion on 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, Arizona's internal control over financial reporting and compliance.

Other Reporting Required by *Arizona Revised Statutes*

In connection with our audit, nothing came to our attention that caused us to believe that the Town failed to use highway user revenue fund monies received by the Town pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the Town solely for the authorized purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Town's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

The communication related to compliance over the use of Highway User Revenue Fund and other dedicated State transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, (the Arizona Auditor General,) the Town Council and management, and other responsible parties within the Town and is not intended to be and should not be used by anyone other than these specified parties.

Colby & Powell, PLC

March 7, 2023

THE TOWN OF TUSAYAN

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, 2022. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities by $14,332,446 (net position) for the fiscal year.
- Total revenues from all sources were $4,008,258 and the total cost of all Town programs was $10,541,380 resulting in a decrease in net position of $6,533,122 from the prior year.
- Town sales tax collections of $3,559,717 were up $693,318 from the prior year amount of $2,866,399.
- Total governmental fund balance increased by $141,397 to end the fiscal year at $12,302,244.
- Total general fund revenues exceeded total general fund expenditures by $226,120.

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, (2) fund financial statements, and (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 changes in them. Net position, the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net position are 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:

- Governmental activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, facilities and grounds, public works and streets and parks and recreation. Sales taxes, state revenue sharing, intergovernmental revenues, investment earnings, and charges for services finance most of these activities.

- Proprietary activities/business type activities – The Town currently does not maintain any proprietary activities.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information the Town's funds—not the Town as a whole. Some funds are required to be established by state law and by bond covenants. However, management establishes 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 funds use the accounting approach as explained below.

- Governmental funds – 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 a current financial resources measurement focus, 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position: Net position may serve over time as a useful indicator of the Town's financial position. The table reflects the Condensed Statement of Net Position of the Town showing that net position decreased by $6,541,297 in total as compared to the prior year.

Condensed Statement of Net Position

	Governmental Activities	
	2022	2021
ASSETS		
Current and other assets	$ 12,883,247	$ 12,276,515
Capital assets, not being depreciated	502,641	8,796,465
Capital assets, being depreciated, net	1,914,081	1,983,805
Total assets	15,299,969	23,056,785
DEFERRED OUTFLOWS OF RESOURCES	70,110	114,196
LIABILITIES		
Current and other liabilities	90,944	439,976
Long-term liabilities	280,319	1,852,219
Total liabilities	371,263	2,292,195
DEFERRED INFLOWS OF RESOURCES	666,370	13,218
NET POSITION		
Net investment in capital assets	2,416,722	10,780,270
Restricted for:		
Debt service	-	351,638
Capital improvement	-	50,000
Highways and streets	-	56,630
Unrestricted (deficit)	11,915,724	9,627,030
Total net position	$ 14,332,446	$ 20,865,568
CHANGE IN NET POSITION	$ (6,533,122)	$ 1,165,510

Net position consists of three components. The largest portion of the Town's net position reflects its investment in capital assets; consequently, these assets are not available for future spending. An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of the net position is unrestricted and may be used to meet the Town's ongoing obligations to citizens.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

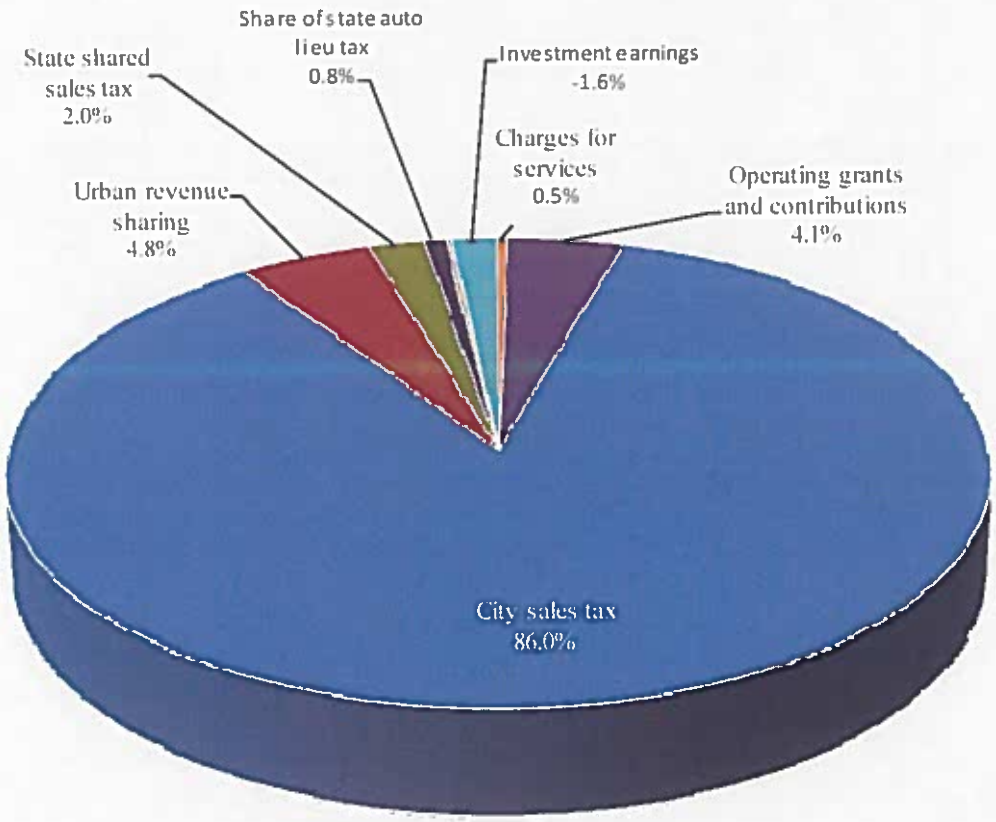
Governmental Activities

The cost of all governmental activities this year was $10,541,380. As shown on the statement of activities, $19,355 of this cost was paid for by those who directly benefited from the programs; $169,325 was subsidized by grants received from other governmental organizations for operating activities. General taxes, state revenue sharing and investment earnings totaled $3,819,578.

Condensed Statement of Changes in Net Position

	Governmental Activities	
	2022	2021
Revenues:		
Program revenues		
Charges for services	$ 19,355	$ 8,999
Operating grants and contributions	169,325	188,243
General revenues		
City sales tax	3,559,717	2,866,399
Urban revenue sharing	197,473	214,371
State shared sales tax	84,696	68,807
Share of state auto lieu tax	31,896	32,447
Other revenue	10,745	-
Investment earnings	(64,949)	38,375
Total Revenues	4,008,258	3,417,641
Expenses:		
General government	9,597,337	1,491,054
Public safety	692,316	426,655
Facilities and grounds	51,125	77,249
Public works/streets	122,532	186,946
Parks and recreation	53,469	47,738
Interest on long-term debt	24,601	22,489
Total Expenses	10,541,380	2,252,131
Change in net position	(6,533,122)	1,165,510
Beginning net position	20,865,568	19,700,058
Ending net position	$ 14,332,446	$ 20,865,568

Revenue by Source - Governmental Activities



Financial Analysis of the Government's Funds

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

Governmental funds: The focus of the Town of Tusayan'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 of Tusayan's financing requirements. In particular, unassigned 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 of Tusayan's governmental funds reported combined ending fund balances of $12,302,244, an increase of $141,397 in comparison with the prior year. $12,301,029 of this total amount constitutes unassigned fund balance, which is available for new spending at the government's discretion.

The General Fund is the chief operating fund of the Town of Tusayan. At the end of the current fiscal year, unassigned fund balance in the General Fund was $12,329,121. As a measure of liquidity, it may be useful to compare unassigned fund balance as a percentage of total fund expenditures. Total General Fund unassigned fund balance represents approximately 341% of total General Fund expenditures excluding transfers. During the year, the Town of Tusayan's General Fund balance increased by $226,120.

The Streets Fund has a total fund balance of ($17,141) The net decrease in the streets fund balance during the current year was $73,772.

Change in Fund Balances

	2022	2021	Change
Governmental			
General Fund	$ 12,330,336	$ 12,104,216	$ 226,120
Streets Fund	(17,141)	56,631	(73,772)
Grants Fund	(10,951)	-	(10,951)
Total governmental fund balances	$ 12,302,244	$ 12,160,847	$ 141,397

Budgetary Highlights

The General Fund's revenues of $3,838,930 were less than budgeted revenues of $3,992,921 by $153,991 and the General Fund's expenditures of $3,612,810 were less than budgeted expenditures of $3,696,687 by $83,877. General Fund other financing sources from transfers of $0 were less than budgeted transfers by $196,836.

Budgetary Highlights – *Continued*

Streets Fund revenues of $72,471 were less than budgeted revenues of $74,013 by $1,542 and Street Fund expenditures of $146,243 were less than budgeted expenditures of $160,812 by $14,569.

The Grants Fund revenues of $96,854 were equal to budgeted revenues. Grants Fund expenditures of $107,805 were less than budgeted expenditures of $109,455 by $1,650.

CAPITAL ASSETS 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 furniture, equipment, vehicles, buildings, improvements other than buildings, park facilities and roads. At the end of fiscal year 2022, net capital assets of the government activities totaled $2,416,722. Significant capital asset deletions during fiscal year 2022 was the cancellation of the affordable housing development. Depreciation on capital assets for government activities is recognized in the government-wide financial statements.

	Governmental Activities	
	2022	2021
Governmental activities:		
Capital assets not being depreciated:		
Construction in progress	$ 502,641	$ 8,796,465
Capital assets being depreciated:		
Buildings	1,144,235	1,144,235
Improvements other than buildings	1,292,948	1,292,948
Furniture, equipment, & vehicles	405,324	341,113
Total	2,842,507	2,778,296
Less accumulated depreciation for:		
Buildings	(290,735)	(253,581)
Improvements other than buildings	(373,557)	(311,087)
Furniture, equipment, & vehicles	(264,134)	(229,823)
Total	(928,426)	(794,491)
Total capital assets being depreciated, net	1,914,081	1,983,805
Governmental activities capital assets, net	$ 2,416,722	$ 10,780,270

Debt Administration – At year-end, the Town had $288,769 in long-term debt outstanding with $8,450 due within one year. Long-term debt decreased by $1,892,900 which was made up mostly of a principal payment of $1,672,000 paid on the revenue bond along with a reduction of the net pension liability which decreased by $220,900. Additional information on the Town's long-term debt can be found in Note 5 of the financial statements.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The Town of Tusayan's revenues are almost entirely dependent on tourism of the Grand Canyon National Park; one of the natural wonders of the world. The Town has recently finalized a two year "Explore Tusayan" Marketing Initiative to help capitalize on the Town's position as the closest neighbor to the South Rim of Grand Canyon National Park. As long as international travel continues to recover, the annual Town revenues are expected to grow. Any slowing of the economy or world travel will adversely affect Town revenues. Unprecedented inflation and unusual world conditions may continue to impact the town adversely.

The Town has undertaken several innovative efforts to drive and cultivate domestic and international tourism. Among these efforts are a unique Fourth of July drone light show, winter holiday light offerings, and a new Cinco De Mayo Celebration. Long term, the Tusayan Town Council has initiated strategic capital projects; such as developing broadband internet, building a system of trails (that will eventually connect Tusayan to the National Park), and exploring the purchase of other utility options. These projects have garnered unprecedented support from stakeholders, including financial grant awards. When finished these projects will help to enhance the tourist draw to the area without over commercializing the community.

The Town successfully went to voters in May 2020 requesting a one-time, one-year override of the State imposed spending limit. The Council choose to pursue the four-year Home Rule option in November 2020. Voters approved that ballot question as well and the Town has been able to budget. The Town may now spend its revenues without the state-imposed spending limit.

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.

FINANCIAL SECTION

TOWN OF TUSAYAN, ARIZONA
Government-wide Statements
Statement of Net Position
June 30, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 11,780,552
Taxes receivable	582,339
Due from other governments	11,680
Prepaid expense	1,215
Other receivable	17,129
Net other postemployment benefits asset	10,621
Lease Receivable	479,711
Capital assets, not being depreciated	502,641
Capital assets, being depreciated, net	1,914,081
Total assets	15,299,969
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions and other postemployment benefits	70,110
LIABILITIES	
Accounts payable	63,760
Accrued liabilities	18,734
Noncurrent liabilities:	
Due within 1 year	8,450
Due in more than 1 year	280,319
Total liabilities	371,263
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions and other postemployment benefits	178,482
Deferred inflows related to leases	487,888
Total deferred inflows	666,370
NET POSITION	
Net investment in capital assets	2,416,722
Unrestricted (deficit)	11,915,724
Total net position	$ 14,332,446

See accompanying notes to financial statements.

TOWN OF TUSAYAN, ARIZONA
Government-wide Statements
Statement of Activities
Year Ended June 30, 2022

Functions / Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position: Governmental Activities
Primary government					
Governmental activities					
General government	$ 9,597,337	$ 19,355	$ 96,854	$ -	$ (9,481,128)
Public safety	692,316	-	-	-	(692,316)
Facilities and grounds	51,125	-	-	-	(51,125)
Public works/streets	122,532	-	72,471	-	(50,061)
Parks and recreation	53,469	-	-	-	(53,469)
Interest on long-term debt	24,601	-	-	-	(24,601)
Total governmental activities	10,541,380	19,355	169,325	-	(10,352,700)
Total primary government	$ 10,541,380	$ 19,355	$ 169,325	$ -	(10,352,700)
		General revenue:			
		Taxes:			
		City sales tax			3,559,717
		State sales tax			84,696
		State urban revenue sharing			197,473
		Share of state auto lieu taxes			31,896
		Investment earnings			(64,949)
		Other revenue			10,745
		Total general revenues			3,819,578
		Change in net position			(6,533,122)
		Net position, beginning of year			20,865,568
		Net position, end of year			$ 14,332,446

See accompanying notes to financial statements.

TOWN OF TUSAYAN, ARIZONA
Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	Streets Fund	Grants Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 11,780,552	$ -	$ -	$ 11,780,552
Taxes receivable	582,339	-	-	582,339
Other receivable	17,129	-	-	17,129
Due from other governments	4,327	7,353	-	11,680
Prepaid expenses	1,215	-	-	1,215
Due from other funds	33,538	-	-	33,538
Lease receivable	479,711	-	-	479,711
Total assets	12,898,811	7,353	-	12,906,164
LIABILITIES				
Accounts payable	63,026	734	-	63,760
Accrued liabilities	17,561	1,173	-	18,734
Due to other funds	-	22,587	10,951	33,538
Total liabilities	80,587	24,494	10,951	116,032
DEFERRED INFLOWS OF RESOURCES				
Leases	487,888	-	-	487,888
FUND BALANCES				
Nonspendable	1,215	-	-	1,215
Unassigned	12,329,121	(17,141)	(10,951)	12,301,029
Total fund balances	12,330,336	(17,141)	(10,951)	12,302,244
Total liabilities, deferred inflows of resources, and fund balances	$ 12,898,811	$ 7,353	$ -	$ 12,906,164

See accompanying notes to financial statements.

TOWN OF TUSAYAN, ARIZONA
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2022

Fund balances-total governmental funds		$ 12,302,244
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.		2,416,722
Net pension assets held in trust for future benefits are not available for operations and, therefore, are not reported in the funds.		10,621
Deferred outflows and inflow of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.		
Pension/OPEB related deferred outflows	70,110	
Pension/OPEB related deferred inflows	(178,482)	
		(108,372)
Some liabilities, including the net pension/OPEB liabilities, bonds payable, and compensated absences payable are not due and payable in the current period and, therefore are not reported in the funds.		
Compensated absences	(8,450)	
Net pension liability/OPEB	(280,319)	
		(288,769)
Net position of governmental activities		$ 14,332,446

See accompanying notes to financial statements.

TOWN OF TUSAYAN, ARIZONA
Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2022

	General Fund	Streets Fund	Grants Fund	Total Governmental Funds
Revenue				
Taxes	$ 3,559,717	$ -	$ -	$ 3,559,717
Intergovernmental	314,066	72,471	96,854	483,391
Investment income	(64,949)	-	-	(64,949)
Licenses and permits	2,488	-	-	2,488
Miscellaneous	27,608	-	-	27,608
Total revenue	3,838,930	72,471	96,854	4,008,255
Expenditures				
Current				
General government	1,123,313	-	107,805	1,231,118
Public safety	692,316	-	-	692,316
Public works and streets	-	125,256	-	125,256
Debt service				
Principal	1,672,000	-	-	1,672,000
Interest	24,601	-	-	24,601
Capital outlay	100,580	20,987	-	121,567
Total expenditures	3,612,810	146,243	107,805	3,866,858
Excess (deficiency) of revenue over (under) expenditures	226,120	(73,772)	(10,951)	141,397
Net change in fund balances	226,120	(73,772)	(10,951)	141,397
Fund balances, beginning of year	12,104,216	56,631	-	12,160,847
Fund balances, end of year	$ 12,330,336	$ (17,141)	$ (10,951)	$ 12,302,244

See accompanying notes to financial statements.

TOWN OF TUSAYAN, ARIZONA
Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance to the Statement of Activities
June 30, 2022

Net change in fund balances-total governmental funds		$ 141,397
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts are the differences in the treatment of capital assets.		
Expenditures for capital assets	121,566	
Net book value of capital assets disposed	(8,351,179)	
Depreciation expense	(133,935)	
		(8,363,548)
Town pension/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 reported 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.		
Town pension/OPEB contributions	28,147	
Pension/OPEB expense	(8,062)	
		20,085
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces lon-term liabilities in the Statement of Net Position.		
Debt principal repaid		1,672,000
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.		
Increase in compensated absences payable		(3,056)
Change in net position of governmental activities		$ (6,533,122)

See accompanying notes to financial statements.

TOWN OF TUSAYAN, ARIZONA
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2022

	STILO Agency Fund
ASSETS	
Accounts receivable	$ 17,129
Total assets	17,129
LIABILITIES	
Due to other funds	17,129
Total liabilities	17,129
NET POSITION	
Net Position Held in Trust	$ -

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Tusayan, Arizona have been prepared in conformity with U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's more significant accounting policies follows.

For the year ended June 30, 2022, the Town implemented the provisions of GASB Statement No. 87, *Leases*, as amended, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result, the Town's financial statements have been modified to reflect the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the contract payment provisions.

A. Reporting Entity

The Town is a general purpose local government that is governed by a separately elected Town Council. The accompanying financial statements present the activities of the Town.

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the Town as a whole, while the fund statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

Government-wide statements—provide information about the primary government (the Town). The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities. Governmental activities generally are financed through taxes and intergovernmental revenues.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Town does not allocate indirect expenses to programs or functions.

Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided;
- operating grants and contributions; and
- capital grants and contributions, including special assessments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the Town levies or imposes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double-counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund financial statements—provide information about the Town's funds. 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. The Town of Tusayan has elected to reported all funds as major funds for reporting purposes.

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 required to be accounted for in another fund.

The ***Streets Fund*** accounts for specific revenue received from the State of Arizona Highway User Revenue Fund which are legally restricted to expenditures for authorized street and highway purposes.

The ***Grants Fund*** accounts for specific revenue received that is legally restricted to expenditures for specific grant purposes.

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.

C. Basis of Accounting

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Under the terms of grant agreements, the Town funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The Town applies grant resources to such programs before using general revenues.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The Town's major revenue sources that are susceptible to accrual are special assessments, intergovernmental, charges for services, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and pollution remediation obligations, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

D. Cash and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the State Treasurer's local government investment pool, and only those highly liquid investments with a maturity of three months or less when purchased.

E. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

F. Budgets

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual reports as listed in the table of contents present all departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2022, if any.

G. Capital Assets

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	$ 5,000	N/A	N/A
Construction in progress	5,000	N/A	N/A
Buildings	5,000	Straight-line	25-50
Building improvements	5,000	Straight-line	20-40
Machinery and equipment	5,000	Straight-line	5-10
Infrastructure - Streets and sidewalks	5,000	Straight-line	20
Storm drains and inlets	5,000	Straight-line	20

H. Deferred Outflows and Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

I. Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

J. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

K. Fund Balance Reporting

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the Town Council has approved, which is the highest level of decision-making authority within the Town. Only the Town Council can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes, but that are neither restricted nor committed. The Town Council has authorized the Town Manager to assign resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the Town's policy to use (the Town will use) restricted fund balance first. It is the Town's policy to use (the Town will use) committed amounts first when disbursing unrestricted fund balances, followed by assigned amounts, and lastly unassigned amounts.

L. Compensated Absences

Town employees accrue between 10 and 25 days of vacation leave each year depending on years of service. Sick days do not vest under the Town's policy, and accordingly a liability for sick leave is not recorded in the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Employees may accumulate vacation up to 40 hours. All vacation leave accrued in excess of the 40 hours shall be forfeited at the end of the pay period which includes December 31st of each year. Upon termination of employment, all unused vacation benefits are paid to employees up to 40 hours. Accordingly, vacation benefits are accrued as a liability in the financial statements.

M. Leases

As lessee, the Town recognizes lease liabilities with an initial, individual value of $5,000 or more. The Town uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The Town's estimated incremental borrowing rate is based on the Town's borrowing rate for unsecured debt for a comparable amount and time period, and then decreased the based on full collateral.

As lessor, the Town recognizes lease receivables with an initial, individual value of $5,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the Town charges the lessee) and the implicit rate cannot be determined, the Town uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The Town's estimated incremental borrowing rate is calculated as described above.

NOTE 2 – DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the Town Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk
Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

2. Bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated "A" or better at the time of purchase by at least two nationally recognized rating agencies.

3. Fixed income securities must carry one of the two highest ratings by Moody's investor's service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk - Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

Concentration of credit risk - Statutes do not include any requirements for concentration of credit risk.

Interest rate risk - Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

Foreign currency risk - Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

Deposits — At June 30, 2022, the carrying amount of the Town's total non-pooled cash in bank was $3,115,977, and the bank balance was $3,118,153. The bank balance was covered by Federal Depository Insurance or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Town's name.

As of June 30, 2022 the Town had the following deposits and investments:

Deposits	
Cash in bank	$ 3,115,977
Investments	
Money market funds	1,427,301
Negotiable certificates of deposit	644,136
State Treasurer's investment pool	6,593,138
Total deposits and investments	$ 11,780,552

Investments – The State Investment Board provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

the Treasurer. The fair value of a participant's position in the pool approximates the value of the participant's pool shares. The shares are not identified with specific investments and are not subject to custodial risk.

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town manages its exposure to declines in fair values by structuring the investment portfolio so that maturities of investments are concurrent with the anticipated cash requirements for ongoing operations and investing funds primarily in shorter-term investment pools.

		Investment maturities (in years)		
	Amount	Less than 1	1-3	4-5
Money market funds	$ 1,427,301	$ 1,427,301	$ -	$ -
Negotiable certificates of deposit	644,136	644,136	-	-
State Treasurer's investment pool	6,593,138	3,112,115	2,015,408	1,465,615
	$ 8,664,575	$ 5,183,552	$ 2,015,408	$ 1,465,615

Credit Risk. The Town limits its investments to the State Treasurer's Investment Pool, U.S. agency securities, and negotiable certificates of deposits.

The Town's investment rating based on investment type is shown below:

	Rating	Rating Agency	Fair Value
Money market funds	AAm	S&P	$ 1,427,301
Negotiable certificates of deposit	N/R	N/R	644,136
State Treasurer's investment pool 5	AAAf/S1+	S&P	1,846,881
State Treasurer's investment pool 7	AAA	S&P	1,265,235
State Treasurer's investment pool 500	AA-2	S&P	2,015,408
State Treasurer's investment pool 700	AAA	S&P	1,465,614
			$ 8,664,575

Fair Value Measurements. 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. Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using other significant observable inputs.

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

	June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Observable Inputs (Level III)
Investments by Fair Value Level				
Debt Securities				
Negotiable certificates of deposit	$ 644,136	$ -	$ -	$ -
Investments Measured at Fair Value				
State Treasurer's Investment Pools	6,593,138			
Total investments measured at fair value	7,237,274			
Investments Measured at Amortized Cost				
Money market funds	1,427,301			
Total investments	$ 8,664,575			

Investment Valuation Techniques. U.S. treasuries, agencies, money market, and equity securities in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical securities. Governmental bonds, corporate bonds, and other fixed income instruments, classified in Level 2 of the fair value hierarchy are valued based on significant other observable inputs, which may include, but are not limited to, quoted prices for similar or identical assets or liabilities in markets that are active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.

NOTE 3 – DUE (TO) FROM OTHER GOVERNMENTS

Amounts due (to) from other governments at June 30, 2022 consisted of the following:

	General Fund	Streets Fund
State of Arizona		
State sales tax revenues	$ 3,103	$ -
Highway user revenues	-	7,353
Auto lieu tax revenues	1,224	-
	$ 4,327	$ 7,353

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	$ 8,796,465	$ 57,355	$ 8,351,179	$ 502,641
Total capital assets not being depreciated	8,796,465	57,355	8,351,179	502,641
Capital assets being depreciated:				
Buildings	1,144,235	-	-	1,144,235
Improvements other than buildings	1,292,948	-	-	1,292,948
Furniture, equipment, & vehicles	341,113	64,211	-	405,324
Total	2,778,296	64,211	-	2,842,507
Less accumulated depreciation for:				
Buildings	(253,581)	(37,154)	-	(290,735)
Improvements other than buildings	(311,087)	(62,470)	-	(373,557)
Furniture, equipment, & vehicles	(229,823)	(34,311)	-	(264,134)
Total	(794,491)	(133,935)	-	(928,426)
Total capital assets being depreciated, net	1,983,805	(69,724)	-	1,914,081
Governmental activities capital assets, net	$ 10,780,270	$ (12,369)	$ 8,351,179	$ 2,416,722

Depreciation expense was charged to functions as follows:

Governmental activities:	
Facilities and grounds	$ 53,469
Parks and recreation	51,125
General government	29,341
Total	$ 133,935

NOTE 5 – LONG-TERM LIABILITIES

The following schedule details the Town's long-term liability and obligation activity for the year ended June 30, 2022.

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due within one year
Governmental activities:					
Compensated absences	$ 5,394	$ 3,056	$ -	$ 8,450	$ 8,450
Net pension and other postemployment benefits liability	501,219	-	220,900	280,319	-
Revenue bonds payable	1,672,000	-	1,672,000	-	-
	$ 2,178,613	$ 3,056	$ 1,892,900	$ 288,769	$ 8,450

NOTE 6– 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; injuries to employees; and natural disasters. The Town carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

At June 30, 2022, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities
Net OPEB assets	$ 10,621
Net pension and OPEB liabilities	280,319
Deferred outflows of resources related to pension and OPEB	70,110
Deferred inflows of resources related to pension and OPEB	178,482
Pension and OPEB expense	8,062

The Town reported $28,147 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

A. Arizona State Retirement System

Plan Description – Town employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). 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.azasrs.gov.

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits 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	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 months of last 120 months	Highest 60 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 retirement benefit option chosen determines the survivor benefit. 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.

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – 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 $100 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, 2022, statute required active ASRS members to contribute at the actuarially determined rate of 12.41 percent (12.22 percent for retirement and 0.19 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.41 percent (12.01 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.19 percent for long-term disability) of the active members' annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.22 percent (10.13 percent for retirement and 0.09 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill. The Town's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2022, were $26,827, $884, and $431, respectively.

During fiscal year 2022, the Town paid for ASRS pension and OPEB contributions as follows: 84 percent from the General Fund and 16 percent from HURF Fund.

Liability - At June 30, 2022, 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	$ 279,873
Health insurance premium benefit	(10,621)
Long-term disability	446

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The net asset and net liabilities were measured as of June 30, 2021. 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, 2020, to the measurement date of June 30, 2021. The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including decreasing the discount rate from 7.5 percent to 7.0 percent and changing the projected salary increases from 2.7-7.2 percent to 2.9-8.4 percent.

The Town's proportion of the net asset or net 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, 2021. The Town's proportions measured as of June 30, 2021, and the change from its proportions measured as of June 30, 2020, were:

	Proportion June 30, 2021	Increase (decrease) from June 30, 2020
Pension	0.00213%	0.00075%
Health insurance premium benefit	0.00218%	0.00077%
Long-term disability	0.00216%	0.00076%

Expense – For the year ended June 30, 2022, the Town recognized the following pension and OPEB expense.

	Pension/OPEB Expense
Pension	$ 8,904
Health insurance premium benefit	(1,160)
Long-term disability	318

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Deferred Outflows/Inflows of Resources—At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance		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	$ 4,266		$ -	$ 3,683	$ 129	$ 36
Changes of assumptions or other inputs	36,428	-	527	429	143	562
Net difference between projected and actual earnings on pension plan investments	-	88,673	-	3,940	-	309
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	80,447	271	-	202	403
Town contributions subsequent to the measurement date	26,829	-	884	-	431	-
Total	$ 67,523	$ 169,120	$ 1,682	$ 8,052	$ 905	$ 1,310

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 ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	Pension	Health Insurance Premium Benefit	Long-Term Disability
2023	$ (43,240)	$ (1,699)	$ (100)
2024	(35,080)	(1,629)	(94)
2025	(19,548)	(1,793)	(106)
2026	(30,558)	(1,988)	(156)
2027	-	(145)	(72)
Thereafter	-	-	(308)

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

ASRS	
Actuarial valuation date	June 30, 2020
Actuarial roll forward date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9 - 8.4% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return
Equity	50%	4.90%
Credit	20%	5.20%
Interest rate sensative bonds	10%	0.70%
Real estate	20%	5.70%
Total	100%	

Discount Rate – At June 30, 2021, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. 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 plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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 Town's Proportionate Share of the ASRS 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 liability calculated using the discount rate of 7 percent, as well as what the Town's proportionate share of the net pension/OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6 percent) or 1 percentage point higher (8 percent) than the current rate:

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
Town's Proportionate share of the			
Net pension liability	$ 440,216	$ 279,873	$ 146,190
Net insurance premium benefit - liability (asset)	(7,032)	(10,621)	(13,673)
Net long-term disability liability	581	446	316

Plan Fiduciary Net Position – Detailed information about the plans' fiduciary net position is available in the separately issued ASRS financial report.

NOTE 8 – LEASE RECEIVABLES

The Town leases fiber optic infrastructure to Commnet AZ, LLC. The Town uses an incremental lease rate of 3%. The lease effective date is March 2022 and has an initial term of ten years with renewals of four additional five-year terms through March 2051. The current payment including interest is $25,000 paid annually.

Year Ending June 30,	Governmental Funds
2023	$ 25,000
2024	25,000
2025	25,000
2026	25,000
2027	25,000
2028-2032	125,000
2033-2037	125,000
2038-2042	125,000
2043-2047	125,000
2048-2051	100,000
Total minimum lease revenue	725,000
Less amount representing interest	(245,289)
Present value of net minimum lease revenue	$ 479,711

TOWN OF TUSAYAN, ARIZONA
Other Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Taxes	$ 2,202,672	$ 3,590,392	$ 3,559,717	$ (30,675)
Intergovernmental	292,316	429,214	314,066	(115,148)
Other revenue	25	10,744	27,608	16,864
Contributions	5,000	-	-	-
Investment income	40,000	(39,917)	(64,949)	(25,032)
Licenses and permits	250	2,488	2,488	-
Total revenue	2,540,263	3,992,921	3,838,930	(153,991)
Expenditures				
Mayor & council	273,250	164,279	164,279	-
City manager	896,787	607,165	607,165	-
Legal and magistrate	234,489	233,510	165,961	67,549
Planning & development	547,000	31,252	31,252	-
Contingency	957,310	-	-	-
Public safety	821,550	692,316	692,316	-
Parks and recreation	29,251	95,603	80,601	15,002
Facilities and grounds	86,000	74,055	74,055	-
Debt service	1,701,777	1,697,927	1,696,601	1,326
Capital outlay	16,124,312	100,580	100,580	-
Total expenditures	21,671,726	3,696,687	3,612,810	83,877
Excess (deficiency) of revenue over (under) expenditures	(19,131,463)	296,234	226,120	(70,114)
Other financing sources (uses)				
Transfers	(32,813)	(196,836)	-	196,836
Net change in fund balance	(19,164,276)	99,398	226,120	126,722
Fund balances, beginning of year	12,104,216	12,104,216	12,104,216	-
Fund balances, end of year	$ (7,060,060)	$12,203,614	$12,330,336	$ 126,722

See accompanying notes to budgetary comparison schedule.

TOWN OF TUSAYAN, ARIZONA
Other Required Supplementary Information
Budgetary Comparison Schedule
Streets Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Intergovernmental	$ 68,880	$ 74,013	$ 72,471	$ (1,542)
Expenditures				
Public works and streets	165,549	160,812	146,243	14,569
Excess (deficiency) of revenue over (under) expenditures	(96,669)	(86,799)	(73,772)	(16,111)
Other financing sources (uses)				
Transfers	32,813	32,813	-	(32,813)
Net change in fund balance	(63,856)	(53,986)	(73,772)	(48,924)
Fund balances, beginning of year	56,631	56,631	56,631	-
Fund balances, end of year	$ 58,401	$ 68,271	$ (17,141)	$ (114,550)

See accompanying notes to budgetary comparison schedule.

TOWN OF TUSAYAN, ARIZONA
Other Required Supplementary Information
Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenue				
Intergovernmental	$ 500,000	$ 96,854	$ 96,854	$ -
Expenditures				
Current				
General government	500,000	109,455	107,805	1,650
Excess (deficiency) of revenue over (under) expenditures	-	(12,601)	(10,951)	1,650
Net change in fund balance	-	(12,601)	(10,951)	1,650
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	$ -	$ (12,601)	$ (10,951)	$ 1,650

See accompanying notes to budgetary comparison schedule.

TOWN OF TUSAYAN, ARIZONA
Other Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2022

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

A.R.S. requires the Town to prepare and adopt a balanced budget annually for each governmental fund. The Town Council must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Town Council's approval. With the exception of the General Fund, each fund includes only one department.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

The Town's budget is prepared on a basis consistent with generally accepted accounting principles.

TOWN OF TUSAYAN, ARIZONA
Required Supplementary Information
Schedule of the Town's Proportionate Share of the Net Pension/OPEB Liability Cost-Sharing Plans
June 30, 2022

ASRS-Pension Reporting Fiscal Year (Measurement Date)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2013
Town's proportion of the net pension liability	0.002130%	0.002880%	0.002970%	0.002360%	0.002250%	0.001900%	0.002090%	N/A	Information
Town's proportionate share of the net pension liability	$ -	$ 279,873	$ 432,170	$ 330,375	$ 350,506	$ 306,679	$ 325,465	N/A	not available
Town's covered payroll	$ 226,790	$ 241,506	$ 313,113	$ 234,991	$ 231,115	$ 227,278	$ 177,108	N/A	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	115.89%	138.02%	140.59%	151.66%	134.94%	183.77%	N/A	
Plan fiduciary net position as a percentage of the total pension liability	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	N/A	

ASRS-Health Insurance Premium Benefit Reporting Fiscal Year (Measurement Date)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2013
Town's proportion of the net OPEB (asset)	0.002180%	0.002950%	0.003040%	0.002410%	0.002280%	Information
Town's proportionate share of the net OPEB (asset)	$ -	$ (10,621)	$ (840)	$ (868)	$ (1,241)	not available
Town's covered payroll	$ 226,790	$ 241,506	$ 313,113	$ 234,991	$ 231,115	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	-4.40%	-0.27%	-0.37%	-0.54%	
Plan fiduciary net position as a percentage of the total pension liability	130.24%	104.33%	101.62%	102.20%	103.57%	

ASRS-Long-Term Disability Reporting Fiscal Year (Measurement Date)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2013
Town's proportion of the net OPEB (asset)	0.002160%	0.002920%	0.003010%	0.002370%	0.002260%	Information
Town's proportionate share of the net OPEB (asset)	$ -	$ 446	$ 1,961	$ 1,238	$ 819	not available
Town's covered payroll	$ 226,790	$ 241,506	$ 313,113	$ 234,991	$ 231,115	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.18%	0.63%	0.53%	0.35%	
Plan fiduciary net position as a percentage of the total pension liability	90.38%	68.01%	72.85%	77.83%	84.44%	

TOWN OF TUSAYAN, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2022

ASRS-Pension Reporting Fiscal Year	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	$ 26,829	$ 27,894	$ 36,013	$ 35,006	$ 25,614	$ 24,500	$ 19,225	N/A	N/A	Information not available
Town's contributions in relation to the statutorily required contribution	(26,829)	(27,894)	(36,013)	(35,006)	(25,614)	(24,500)	(19,225)	N/A	N/A	
Town's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	N/A	N/A	
Town's covered payroll	$ 226,790	$ 241,506	$ 314,524	$ 313,113	$ 234,991	$ 227,273	$ 177,189	N/A	N/A	
Town's contributions as a percentage of covered payroll	11.83%	11.55%	11.45%	11.18%	10.90%	10.78%	10.85%	N/A	N/A	

ASRS-Health Insurance Premium Benefit Reporting Fiscal Year	2022	2021	2020	2019	2018	2017	2016 through 2013
Statutorily required contribution	$ 884	$ 934	$ 1,541	$ 1,440	$ 1,034	$ 1,227	Information not available
Town's contributions in relation to the statutorily required contribution	(884)	(934)	(1,541)	(1,440)	(1,034)	(1,227)	
Town's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	
Town's covered payroll	$ 226,790	$ 241,506	$ 314,524	$ 313,113	$ 234,991	$ 227,273	
Town's contributions as a percentage of covered payroll	0.39%	0.39%	0.49%	0.46%	0.44%	0.54%	

ASRS-Long-Term Disability Reporting Fiscal Year	2022	2021	2020	2019	2018	2017	2016 through 2013
Statutorily required contribution	$ 431	$ 431	$ 535	$ 501	$ 376	$ 307	Information not available
Town's contributions in relation to the statutorily required contribution	(431)	(431)	(535)	(501)	(376)	(307)	
Town's contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	
Town's covered payroll	$ 226,790	$ 241,506	$ 314,524	$ 313,113	$ 234,991	$ 227,273	
Town's contributions as a percentage of covered payroll	0.19%	0.18%	0.17%	0.16%	0.16%	0.14%	

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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*

To the Town Council
Town of 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 and each major fund of the Town of Tusayan, Arizona as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Tusayan, Arizona's basic financial statements and have issued our report thereon dated March 7, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Town of Tusayan, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 first paragraph of this section 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Tusayan, Arizona's financial statements are free from 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.

Colby & Powell, PLC

March 7, 2023