# TOWN OF TUSAYAN, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2024

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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, 2024, 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, 2024, 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 U.S 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 U.S. 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 February 10, 2025 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

February 10, 2025

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, 2024. Please read it in conjunction with the accompanying basic financial statements.

## FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities by $16,681,402 (net position) for the fiscal year.
- Total revenues from all sources were $4,314,392 and the total cost of all Town programs was $3,604,693 resulting in a increase in net position of $709,699 from the prior year.
- Town sales tax collections of $3,185,625 were up $16,564 from the prior year amount of $3,169,061.
- Total governmental fund balance decreased by $2,839,475 to end the fiscal year at $10,986,797.
- Total general fund expenditures exceeded total general fund revenues by $2,460,614.

## 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 increased by $709,699 in total as compared to the prior year.

### Condensed Statement of Net Position

| | Governmental Activities | |
|---|---|---|
| | 2024 | 2023 |
| **ASSETS** | | |
| Current and other assets | $ 11,657,619 | $ 14,497,370 |
| Capital assets, not being depreciated | 3,539,308 | 527,060 |
| Capital assets, being depreciated, net | 2,462,842 | 1,957,535 |
| **Total assets** | 17,659,769 | 16,981,965 |
| **DEFERRED OUTFLOWS OF RESOURCES** | 37,693 | 49,064 |
| **LIABILITIES** | | |
| Current and other liabilities | 221,078 | 197,674 |
| Long-term liabilities | 310,938 | 323,365 |
| **Total liabilities** | 532,016 | 521,039 |
| **DEFERRED INFLOWS OF RESOURCES** | 484,044 | 538,287 |
| **NET POSITION** | | |
| Net investment in capital assets | 6,002,150 | 2,484,595 |
| Restricted for: | | |
| Postemployment benefits | 10,637 | 11,329 |
| Opiod program | 10,559 | - |
| Social services | - | 1,250 |
| Youth programs | 4,219 | 1,702 |
| Unrestricted (deficit) | 10,653,837 | 13,472,827 |
| **Total net position** | $ 16,681,402 | $ 15,971,703 |
| **CHANGE IN NET POSITION** | $ 709,699 | $ 1,639,257 |

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

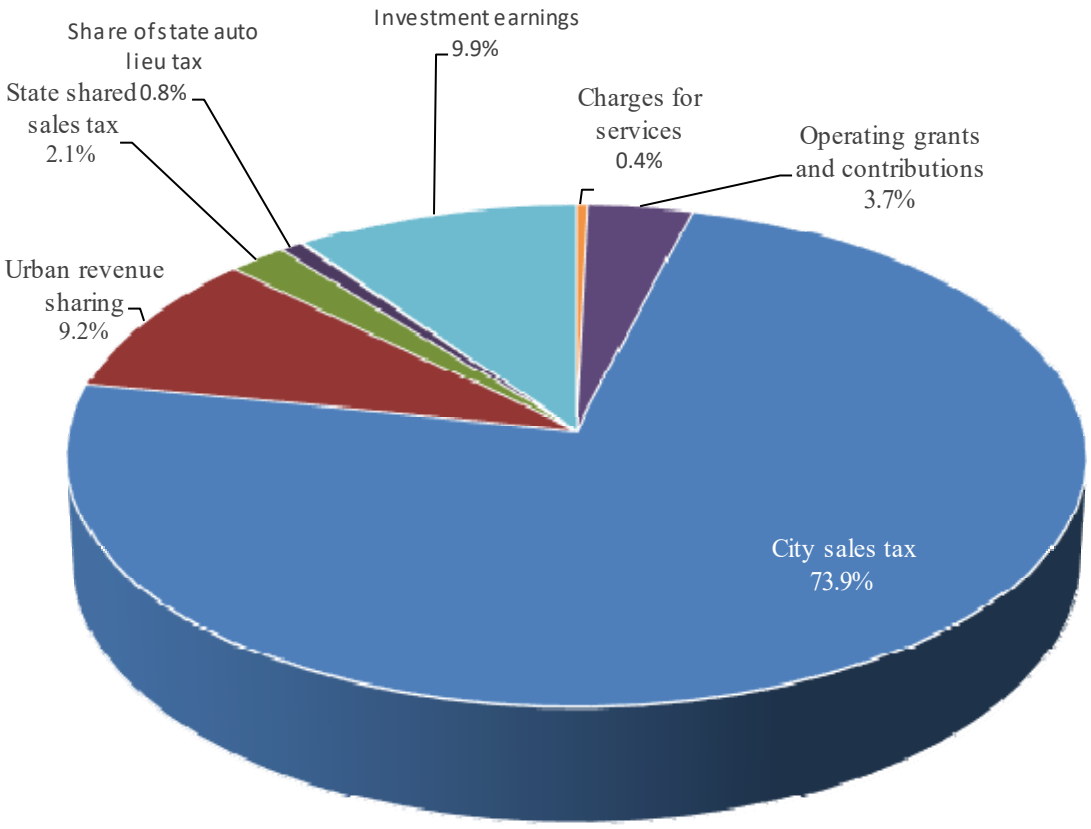
### Governmental Activities

The cost of all governmental activities this year was $3,604,693. As shown on the statement of activities, $17,294 of this cost was paid for by those who directly benefited from the programs; $158,796 was subsidized by grants received from other governmental organizations for operating activities. General taxes, state revenue sharing and investment earnings totaled $4,314,392.

**Condensed Statement of Changes in Net Position**

| | Governmental Activities | |
|---|---|---|
| | 2024 | 2023 |
| **Revenues:** | | |
| Program revenues | | |
| Charges for services | $ 17,294 | $ 17,234 |
| Operating grants and contributions | 158,796 | 200,636 |
| General revenues | | |
| City sales tax | 3,185,625 | 3,169,061 |
| Urban revenue sharing | 397,487 | 284,552 |
| State shared sales tax | 88,568 | 87,953 |
| Share of state auto lieu tax | 34,659 | 33,468 |
| Other revenue | 5,137 | 13,904 |
| Investment earnings | 426,826 | 234,734 |
| Total Revenues | 4,314,392 | 4,041,542 |
| Expenses: | | |
| General government | 1,134,506 | 1,095,675 |
| Public safety | 1,351,804 | 832,564 |
| Public works/streets | 586,138 | 81,516 |
| Parks and recreation | 532,245 | 392,530 |
| Total Expenses | 3,604,693 | 2,402,285 |
| Change in net position | 709,699 | 1,639,257 |
| Beginning net position | 15,971,703 | 14,332,446 |
| Ending net position | $ 16,681,402 | $ 15,971,703 |

## 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 $10,986,797, a decrease of $2,839,475 in comparison with the prior year. $10,959,482 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 $11,353,996. 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 172% of total General Fund expenditures. During the year, the Town of Tusayan's General Fund balance decreased by $2,441,973.

### Change in Fund Balances

| | 2024 | 2023 | Change |
|---|---|---|---|
| **Governmental** | | | |
| General Fund | $ 11,353,996 | $ 13,795,969 | $ (2,441,973) |
| Streets Fund | (394,514) | (28,552) | (365,962) |
| ARPA Fund | 12,537 | 55,903 | (43,366) |
| Grants Fund | 14,778 | 2,952 | 11,826 |
| **Total governmental fund balances** | $ 10,986,797 | $ 13,826,272 | $ (2,839,475) |

## Budgetary Highlights

The General Fund's revenues of $4,155,596 were less than budgeted revenues of $3,996,827 by $158,769 and the General Fund's expenditures of $6,616,210 were less than budgeted expenditures of $16,132,768 by $9,516,558. Streets Fund revenues of $81,838 were more than budgeted revenues of $76,244 by $5,594 and Street Fund expenditures of $447,800 were more than budgeted expenditures of $322,163 by $125,637. ARPA Fund expenditures of $43,366 were less than budgeted expenditures by $84,253. The Grants Fund revenues of $76,958 were less than budgeted revenues by $488,042. Grants Fund expenditures of $46,491 were more than budgeted expenditures by $46,491.

## 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 land, furniture, equipment, vehicles, buildings, improvements other than buildings, park facilities and roads. At the end of fiscal year 2024, net capital assets of the government activities totaled $2,908,127. Depreciation on capital assets for government activities is recognized in the government-wide financial statements.

| | Governmental Activities | |
|---|---|---|
| | 2024 | 2023 |
| Governmental activities: | | |
| Capital assets not being depreciated: | | |
| Land | $ 3,094,023 | $ - |
| Construction in progress | 445,285 | 527,060 |
| **Total capital assets not being depreciated** | 3,539,308 | 527,060 |
| Capital assets being depreciated: | | |
| Buildings | 1,534,629 | 1,144,235 |
| Improvements other than buildings | 1,589,771 | 1,292,948 |
| Furniture, equipment, & vehicles | 611,940 | 597,582 |
| **Total** | 3,736,340 | 3,034,765 |
| Less accumulated depreciation for: | | |
| Buildings | (391,069) | (327,889) |
| Improvements other than buildings | (508,391) | (436,027) |
| Furniture, equipment, & vehicles | (374,038) | (313,314) |
| **Total** | (1,273,498) | (1,077,230) |
| **Total capital assets being depreciated, net** | 2,462,842 | 1,957,535 |
| Governmental activities capital assets, net | $ 6,002,150 | $ 2,484,595 |

**Debt Administration** – At year-end, the Town had $326,071 in long-term debt outstanding with $15,133 due within one year. Long-term debt decreased by $6,263 which was made up mostly of an decrease of the net pension liability of $12,427. 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 to 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. The Town has taken on the formal role of the Designated Marketing Organization (DMO) for the Town. If 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. The closure of the local McDonald's for rebuild impacted local sales tax revenues for the short term in this audit year. Unprecedented inflation and unusual world conditions seemed to have slowed the Town's post COVID revenue recovery. It is expected that adverse economic conditions will continue to impact the Town adversely.

The Town has undertaken several innovative efforts to drive and cultivate domestic and international tourism. This includes the addition of a Library Department and expansion of the new Parks and Recreation Department. This Department hosts several events each year aimed at promoting tourism within Tusayan. Among these efforts are a unique Fourth of July drone light show, winter holiday light offerings, a new Cinco De Mayo Celebration, and multiple Astronomy events. In the next fiscal year, the Town will participate in several trade marketing initiatives.

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), the building of employee housing, and a new Townhall. In this revenue year the Town (in coordination with local stakeholders) completed a ramada, a road project, major landscaping restoration, and the purchase of a new fire engine. The Town also purchased land for a new Townhall and initiated the development of a Sports Complex Master Plan and Feasibility Study. In FY 2024-2025, the Tusayan General Plan will be up for renewal. The Town also expects to partner with Coconino County to undertake a $2.3 million flood planning project (with AZ Smart grant funds). This project was started in response to a major flooding event which occurred in the summer of 2023.

These projects have garnered unprecedented support from stakeholders, including financial grant awards, totaling close to $3 million. When finished, these projects will safeguard the community. These projects will also help to enhance the tourist draw to the area without over commercializing the community.

## 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, 2024**

| | Governmental Activities |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 10,541,247 |
| Taxes receivable | 604,784 |
| Due from other governments | 25,646 |
| Other receivable | 17,129 |
| Net other postemployment benefits asset | 10,637 |
| Lease Receivable | 458,176 |
| Capital assets, not being depreciated | 3,539,308 |
| Capital assets, being depreciated, net | 2,462,842 |
| **Total assets** | 17,659,769 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred outflows related to pensions and other postemployment benefits | 37,693 |
| **LIABILITIES** | |
| Accounts payable | 165,896 |
| Accrued liabilities | 40,049 |
| Noncurrent liabilities: | |
| Due within 1 year | 15,133 |
| Due in more than 1 year | 310,938 |
| **Total liabilities** | 532,016 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Deferred inflows related to pensions and other postemployment benefits | 29,804 |
| Deferred inflows related to leases | 454,240 |
| **Total deferred inflows** | 484,044 |
| **NET POSITION** | |
| Net investment in capital assets | 6,002,150 |
| Restricted for: | |
| Postemployment benefits | 10,637 |
| Opiod program | 10,559 |
| Youth programs | 4,219 |
| Unrestricted (deficit) | 10,653,837 |
| **Total net position** | $ 16,681,402 |

*See accompanying notes to financial statements.*

# TOWN OF TUSAYAN, ARIZONA
## Government-wide Statements
## Statement of Activities
## Year Ended June 30, 2024

| 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 | $ 1,134,506 | $ 17,294 | $ - | $ - | $ (1,117,212) |
| Public safety | 1,351,804 | - | - | - | (1,351,804) |
| Public works/streets | 586,138 | - | 81,838 | - | (504,300) |
| Parks and recreation | 532,245 | - | 76,958 | - | (455,287) |
| **Total governmental activities** | 3,604,693 | 17,294 | 158,796 | - | (3,428,603) |
| **Total primary government** | $ 3,604,693 | $ 17,294 | $ 158,796 | $ - | (3,428,603) |
| | | **General revenue:** | | | |
| | | Taxes: | | | |
| | | City sales tax | | | 3,185,625 |
| | | State sales tax | | | 88,568 |
| | | State urban revenue sharing | | | 397,487 |
| | | Share of state auto lieu taxes | | | 34,659 |
| | | Investment earnings | | | 426,826 |
| | | Other revenue | | | 5,137 |
| | | Total general revenues | | | 4,138,302 |
| | | Change in net position | | | 709,699 |
| | | Net position, beginning of year | | | 15,971,703 |
| | | Net position, end of year | | | $ 16,681,402 |

*See accompanying notes to financial statements.*

# TOWN OF TUSAYAN, ARIZONA
## Governmental Funds
## Balance Sheet
## June 30, 2024

| | General Fund | Streets Fund | ARPA Fund | Grants Fund | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 10,519,237 | $ - | $ 12,537 | $ 9,473 | $ 10,541,247 |
| Taxes receivable | 604,784 | - | - | - | 604,784 |
| Other receivable | 17,129 | - | - | - | 17,129 |
| Due from other governments | 3,983 | 8,648 | - | 13,015 | 25,646 |
| Due from other funds | 401,835 | - | - | - | 401,835 |
| Lease receivable | 458,176 | - | - | - | 458,176 |
| **Total assets** | 12,005,144 | 8,648 | 12,537 | 22,488 | 12,048,817 |
| **LIABILITIES** | | | | | |
| Accounts payable | 156,859 | 1,327 | - | 7,710 | 165,896 |
| Accrued liabilities | 40,049 | - | - | - | 40,049 |
| Due to other funds | - | 401,835 | - | - | 401,835 |
| **Total liabilities** | 196,908 | 403,162 | - | 7,710 | 607,780 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Leases | 454,240 | - | - | - | 454,240 |
| **Total deferred inflows of resources** | 454,240 | - | - | - | 454,240 |
| **FUND BALANCES** | | | | | |
| Assigned for ARPA | - | - | 12,537 | - | 12,537 |
| Restricted for: | | | | | |
| Opiod program | - | - | - | 10,559 | 10,559 |
| Youth programs | - | - | - | 4,219 | 4,219 |
| Unassigned | 11,353,996 | (394,514) | - | - | 10,959,482 |
| **Total fund balances** | 11,353,996 | (394,514) | 12,537 | 14,778 | 10,986,797 |
| **Total liabilities, deferred inflows of resources, and fund balances** | $ 12,005,144 | $ 8,648 | $ 12,537 | $ 22,488 | $ 12,048,817 |

*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, 2024**

| | | |
|---|---|---|
| Fund balances-total governmental funds | | $ 10,986,797 |
| 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. | | 6,002,150 |
| Net pension assets held in trust for future benefits are not available for operations and, therefore, are not reported in the funds. | | 10,637 |
| 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 | 37,693 | |
| Pension/OPEB related deferred inflows | (29,804) | |
| | | 7,889 |
| 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 | (15,133) | |
| Net pension liability/OPEB | (310,938) | |
| | | (326,071) |
| **Net position of governmental activities** | | $ 16,681,402 |

*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, 2024**

| | General Fund | Streets Fund | ARPA Fund | Grants Fund | Total Governmental Funds |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Taxes | $ 3,185,625 | $ - | $ - | $ - | $ 3,185,625 |
| Intergovernmental | 520,714 | 81,838 | - | 72,958 | 675,510 |
| Investment income | 426,826 | - | - | - | 426,826 |
| Licenses and permits | 470 | - | - | - | 470 |
| Lease revenue | 16,824 | - | - | - | 16,824 |
| Miscellaneous | 5,137 | - | - | - | 5,137 |
| Contributions | - | - | - | 4,000 | 4,000 |
| **Total revenue** | 4,155,596 | 81,838 | - | 76,958 | 4,314,392 |
| **Expenditures** | | | | | |
| Current | | | | | |
| General government | 1,067,760 | - | 43,366 | - | 1,111,126 |
| Public safety | 1,346,804 | - | - | 5,000 | 1,351,804 |
| Public works and streets | 387,962 | 136,619 | - | - | 524,581 |
| Parks and recreation | 411,042 | - | - | 41,491 | 452,533 |
| Capital outlay | 3,402,642 | 311,181 | - | - | 3,713,823 |
| **Total expenditures** | 6,616,210 | 447,800 | 43,366 | 46,491 | 7,153,867 |
| Excess (deficiency) of revenue over (under) expenditures | (2,460,614) | (365,962) | (43,366) | 30,467 | (2,839,475) |
| **Other financing sources** | | | | | |
| Transfers in(out) | 18,641 | - | - | (18,641) | - |
| **Net change in fund balances** | (2,441,973) | (365,962) | (43,366) | 11,826 | (2,839,475) |
| Fund balances, beginning of year | 13,795,969 | (28,552) | 55,903 | 2,952 | 13,826,272 |
| **Fund balances, end of year** | $ 11,353,996 | $ (394,514) | $ 12,537 | $ 14,778 | $ 10,986,797 |

*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, 2024

| | | |
|---|---|---|
| Net change in fund balances-total governmental funds | | $ (2,839,475) |
| 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 | 3,713,823 | |
| Depreciation expense | (196,268) | |
| | | 3,517,555 |
| 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 | 30,554 | |
| Pension/OPEB expense | 7,229 | |
| | | 37,783 |
| 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 | | (6,164) |
| **Change in net position of governmental activities** | | $ 709,699 |

*See accompanying notes to financial statements.*

**TOWN OF TUSAYAN, ARIZONA**
**Fiduciary Funds**
**Statement of Fiduciary Net Position**
**June 30, 2024**

| | 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.

### 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.

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.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 ***ARPA Fund*** accounts for specific spending of resources received from the Federal government as it relates to the American Rescue Plan Act (ARPA).

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.

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

## 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.

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.

*NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued*

## 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.

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, 2024, 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.

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

## 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.

## 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.

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

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.

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

***NOTE 2 – DEPOSITS AND INVESTMENTS - Continued***

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.

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, 2024, the carrying amount of the Town's total non-pooled cash in bank was $6,088,461, and the bank balance was $6,218,278. 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.

***NOTE 2 – DEPOSITS AND INVESTMENTS - Continued***

As of June 30, 2024 the Town had the following deposits and investments:

| | |
|---|---|
| **Deposits** | |
| Cash in bank | $ 6,088,461 |
| **Investments** | |
| Money market funds | 450,876 |
| Negotiable certificates of deposit | 247,303 |
| State Treasurer's investment pool | 3,754,607 |
| Total deposits and investments | $ 10,541,247 |

*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 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 | $ 450,876 | $ 450,876 | $ - | $ - |
| Negotiable certificates of deposit | 247,303 | 247,303 | - | - |
| State Treasurer's investment pool | 3,754,607 | 3,837 | 2,174,871 | 1,575,899 |
| | $ 4,452,786 | $ 702,016 | $ 2,174,871 | $ 1,575,899 |

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

***NOTE 2 – DEPOSITS AND INVESTMENTS - Continued***

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

| | Rating | Rating Agency | Fair Value |
|---|---|---|---|
| Money market funds | AAm | S&P | $ 450,876 |
| Negotiable certificates of deposit | N/R | N/R | 247,303 |
| State Treasurer's investment pool 5 | AAAf/S1+ | S&P | 2,292 |
| State Treasurer's investment pool 7 | AAA | S&P | 1,545 |
| State Treasurer's investment pool 500 | AA-3 | S&P | 2,174,871 |
| State Treasurer's investment pool 700 | AAA | S&P | 1,575,899 |
| | | | $ 4,452,786 |

*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.

| | June 30, 2024 | 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 | $ 247,303 | $ - | $ 247,303 | $ - |
| Total investments categorized by fair value level | $ 247,303 | $ - | $ 247,303 | $ - |
| **Investments Measured at Fair Value** | | | | |
| State Treasurer's Investment Pools | 3,754,607 | | | |
| Total investments measured at fair value | 4,001,910 | | | |
| **Investments Measured at Amortized Cost** | | | | |
| Money market funds | 450,876 | | | |
| Total investments | $ 4,452,786 | | | |

## *NOTE 2 – DEPOSITS AND INVESTMENTS - Continued*

*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, 2024 consisted of the following:

| | General Fund | Streets Fund | Grants Fund |
|---|---|---|---|
| State of Arizona | | | |
| Auto lieu tax revenues | $ 1,236 | $ - | $ - |
| Department of housing | - | - | 7,500 |
| Highway user revenues | - | 8,648 | - |
| Office of Tourism | - | - | 5,515 |
| State sales tax revenues | 2,747 | - | - |
| | $ 1,236 | $ 8,648 | $ 13,015 |

## *NOTE 4 – CAPITAL ASSETS*

Capital asset activity for the year ended June 30, 2024, was as follows:

| | Balance July 1, 2023 | Increases | Decreases | Balance June 30, 2024 |
|---|---|---|---|---|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ - | $ 3,094,023 | $ - | $ 3,094,023 |
| Construction in progress | 527,060 | - | (81,775) | 445,285 |
| **Total capital assets not being depreciated** | 527,060 | 3,094,023 | (81,775) | 3,539,308 |
| Capital assets being depreciated: | | | | |
| Buildings | 1,144,235 | 390,394 | - | 1,534,629 |
| Improvements other than buildings | 1,292,948 | 296,823 | - | 1,589,771 |
| Furniture, equipment, & vehicles | 597,582 | 14,358 | - | 611,940 |
| **Total** | 3,034,765 | 701,575 | - | 3,736,340 |
| Less accumulated depreciation for: | | | | |
| Buildings | (327,889) | (63,180) | - | (391,069) |
| Improvements other than buildings | (436,027) | (72,364) | - | (508,391) |
| Furniture, equipment, & vehicles | (313,314) | (60,724) | - | (374,038) |
| **Total** | (1,077,230) | (196,268) | - | (1,273,498) |
| **Total capital assets being depreciated, net** | 1,957,535 | 505,307 | - | 2,462,842 |
| Governmental activities capital assets, net | $ 2,484,595 | $ 3,599,330 | $ (81,775) | $ 6,002,150 |

Depreciation expense was charged to functions as follows:

| | |
|---|---|
| Governmental activities: | |
| General government | $ 49,940 |
| Culture and recreation | 79,712 |
| Highways and streets | 18,170 |
| Public works | 48,446 |
| Total | $ 196,268 |

## *NOTE 5 – LONG-TERM LIABILITIES*

The following schedule details the Town's long-term liability and obligation activity for the year ended June 30, 2024.

| | Balance July 1, 2023 | Additions | Reductions | Balance June 30, 2024 | Due within one year |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| Compensated absences | $ 8,969 | $ 6,164 | $ - | $ 15,133 | $ 15,133 |
| Net pension and other postemployment benefits liability | 323,365 | - | 12,427 | 310,938 | - |
| | $ 332,334 | $ 6,164 | $ 12,427 | $ 326,071 | $ 15,133 |

## *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, 2024, 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 | $ 10,637 |
| Net pension and OPEB liabilities | 310,938 |
| Deferred outflows of resources related to pension and OPEB | 37,693 |
| Deferred inflows of resources related to pension and OPEB | 29,804 |
| Pension and OPEB expense | (7,229) |

The Town reported $29,407 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<br>10 years age 62<br>5 years age 50*<br>Any years age 65 | 30 years age 55<br>25 years age 60<br>10 years age 62<br>5 years age 50*<br>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, 2024, statute required active ASRS members to contribute at the actuarially determined rate of 12.29 percent (12.14 percent for retirement and 0.15 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.29 percent (12.03 percent for retirement, 0.11 percent for health insurance premium benefit, and 0.15 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 9.99 percent (9.94 percent for retirement and 0.05 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, 2024, were $28,785, $263, and $359, respectively.

During fiscal year 2024, 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, 2024, 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 | $ 310,684 |
| Health insurance premium benefit | (10,637) |
| Long-term disability | 254 |

***NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

The net asset and net liabilities were measured as of June 30, 2023. 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, 2022, to the measurement date of June 30, 2023.

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, 2023. The Town's proportions measured as of June 30, 2023, and the change from its proportions measured as of June 30, 2022, were:

| | Proportion June 30, 2023 | Increase (decrease) from June 30, 2022 |
|---|---|---|
| Pension | 0.00192% | 0.00006% |
| Health insurance premium benefit | 0.00197% | 0.00006% |
| Long-term disability | 0.00194% | 0.00006% |

**Expense** – For the year ended June 30, 2024, the Town recognized the following pension and OPEB expense.

| | Pension/OPEB Expense |
|---|---|
| Pension | $ (6,304) |
| Health insurance premium benefit | (1,142) |
| Long-term disability | 217 |

*NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued*

**Deferred Outflows/Inflows of Resources**—At June 30, 2024, 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 | $ 7,020 | $ - | $ 449 | $ 3,967 | $ 230 | $ 143 |
| Changes of assumptions or other inputs | - | - | - | 212 | 67 | 370 |
| Net difference between projected and actual earnings on pension plan investments | - | 10,992 | - | 467 | - | 20 |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | - | 13,263 | 400 | - | 120 | 370 |
| Town contributions subsequent to the measurement date | 28,785 | - | 263 | - | 359 | - |
| Total | $ 35,805 | $ 24,255 | $ 1,112 | $ 4,646 | $ 776 | $ 903 |

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, 2025. 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 |
|---|---|---|---|
| 2025 | $ (12,132) | $ (1,647) | $ (56) |
| 2026 | (15,583) | (1,824) | (102) |
| 2027 | 11,846 | (162) | (27) |
| 2028 | (1,366) | (203) | (130) |
| 2029 | - | 39 | (127) |
| Thereafter | - | - | (44) |

***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, 2022 |
| Actuarial roll forward date | June 30, 2023 |
| 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, 2022, 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 |
|---|---|---|
| Public equity | 44% | 3.50% |
| Credit | 23% | 5.90% |
| Real estate | 17% | 5.90% |
| Private equity | 10% | 6.70% |
| Interest rate senstive | 6% | 1.50% |
| Total | 100% | |

*NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued*

**Discount Rate** – At June 30, 2023, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 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 plans' 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 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 | $ 465,359 | $ 310,684 | $ 181,712 |
| Net insurance premium benefit - liability (asset) | (7,434) | (10,637) | (13,358) |
| Net long-term disability liability | 372 | 254 | 139 |

**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 |
|---|---|
| 2025 | $ 25,000 |
| 2026 | 25,000 |
| 2027 | 25,000 |
| 2028 | 25,000 |
| 2029-2033 | 125,000 |
| 2034-2038 | 125,000 |
| 2039-2043 | 125,000 |
| 2044-2048 | 125,000 |
| 2049-2051 | 75,000 |
| Total minimum lease revenue | 675,000 |
| Less amount representing interest | (216,824) |
| Present value of net minimum lease revenue | $ 458,176 |

**TOWN OF TUSAYAN, ARIZONA**
**Other Required Supplementary Information**
**Budgetary Comparison Schedule**
**General Fund**
**Year Ended June 30, 2024**

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenue** | | | | |
| Taxes | $ 3,475,000 | $ 3,475,000 | $ 3,185,625 | $ (289,375) |
| Intergovernmental | 316,552 | 316,552 | 520,714 | 204,162 |
| Investment income | 205,000 | 205,000 | 426,826 | 221,826 |
| Licenses and permits | 100 | 100 | 470 | 370 |
| Lease revenue | - | - | 16,824 | 16,824 |
| Miscellaneous | 175 | 175 | 5,137 | 4,962 |
| **Total revenue** | 3,996,827 | 3,996,827 | 4,155,596 | 158,769 |
| **Expenditures** | | | | |
| Mayor & council | 420,038 | 420,038 | 147,490 | 272,548 |
| Town administration | 883,902 | 883,902 | 897,201 | (13,299) |
| Legal services | 373,044 | 373,044 | 202,568 | 170,476 |
| City hall and general buildings | 144,088 | 144,088 | 64,391 | 79,697 |
| Planning and zoning | 721,354 | 721,354 | 539,333 | 182,021 |
| Public safety | 1,103,913 | 1,103,913 | 903,737 | 200,176 |
| Parks and recreation | 1,726,427 | 1,726,427 | 411,042 | 1,315,385 |
| **Total expenditures** | 5,372,766 | 5,372,766 | 6,616,210 | (1,243,444) |
| Excess (deficiency) of revenue over (under) expenditures | (1,375,939) | (1,375,939) | (2,460,614) | (1,084,675) |
| **Other financing sources (uses)** | | | | |
| Transfers | - | - | 18,641 | 18,641 |
| Net change in fund balance | (1,375,939) | (1,375,939) | (2,441,973) | (1,066,034) |
| Fund balances, beginning of year | 13,795,969 | 13,795,969 | 13,795,969 | - |
| **Fund balances, end of year** | $ 12,420,030 | $12,420,030 | $11,353,996 | $ (1,066,034) |

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF TUSAYAN, ARIZONA**
**Other Required Supplementary Information**
**Budgetary Comparison Schedule**
**Streets Fund**
**Year Ended June 30, 2024**

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenue** | | | | |
| Intergovernmental | $ 76,244 | $ 76,244 | $ 81,838 | $ 5,594 |
| **Expenditures** | | | | |
| Current | | | | |
| Public works and streets | 322,163 | 322,163 | 447,800 | (125,637) |
| Excess (deficiency) of revenue over (under) expenditures | (245,919) | (245,919) | (365,962) | 131,231 |
| Net change in fund balance | (245,919) | (245,919) | (365,962) | 131,231 |
| Fund balances, beginning of year | (28,552) | (28,552) | (28,552) | - |
| **Fund balances, end of year** | $ (274,471) | $ (274,471) | $ (394,514) | $ 131,231 |

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF TUSAYAN, ARIZONA**
**Other Required Supplementary Information**
**Budgetary Comparison Schedule**
**ARPA Fund**
**Year Ended June 30, 2024**

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenue** | | | | |
| Intergovernmental | $ - | $ - | $ - | $ - |
| **Expenditures** | | | | |
| Current | | | | |
| General government | 84,253 | 84,253 | 43,366 | 40,887 |
| Excess (deficiency) of revenue over (under) expenditures | (84,253) | (84,253) | (43,366) | 40,887 |
| Net change in fund balance | (84,253) | (84,253) | (43,366) | 40,887 |
| Fund balances, beginning of year | 55,903 | 55,903 | 55,903 | - |
| **Fund balances, end of year** | $ (28,350) | $ (28,350) | $ 12,537 | $ 40,887 |

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF TUSAYAN, ARIZONA**
**Other Required Supplementary Information**
**Budgetary Comparison Schedule**
**Grants Fund**
**Year Ended June 30, 2024**

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenue** | | | | |
| Intergovernmental | $ 525,000 | $ 525,000 | $ 72,958 | $ (452,042) |
| Contributions | 40,000 | 40,000 | 4,000 | (36,000) |
| | 565,000 | 565,000 | 76,958 | (488,042) |
| **Expenditures** | | | | |
| Current | | | | |
| Public safety | - | - | 5,000 | (5,000) |
| Capital Outlay | - | - | 41,491 | (41,491) |
| **Total expenditures** | - | - | 46,491 | (46,491) |
| Excess (deficiency) of revenue over (under) expenditures | 565,000 | 565,000 | 30,467 | (534,533) |
| **Other financing sources (uses)** | | | | |
| Transfers | - | - | (18,641) | (18,641) |
| Net change in fund balance | 565,000 | 565,000 | 11,826 | (553,174) |
| Fund balances, beginning of year | 2,952 | 2,952 | 2,952 | - |
| **Fund balances, end of year** | $ 567,952 | $ 567,952 | $ 14,778 | $ (553,174) |

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF TUSAYAN, ARIZONA**
**Other Required Supplementary Information**
**Notes to Budgetary Comparison Schedules**
**June 30, 2024**

## *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. During the year ended June 30, 2024, the Town Council approved a resolution (2023-11) allowing for certain transfers of appropriations between departments as listed in the resolution. The Town has exceeded appropriations in the following departments; Town Administration (General Fund), Public Works and Streets (Streets Fund), and Public Safety and Parks and Recreation (Grants Fund) for the year ending June 30, 2024

## *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, 2024

**ASRS-Pension**

| Reporting Fiscal Year (Measurement Date) | 2024 (2023) | 2023 (2022) | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) |
|---|---|---|---|---|---|---|---|---|---|---|
| Town's proportion of the net pension liability | 0.001920% | 0.198000% | 0.002130% | 0.002880% | 0.002970% | 0.002360% | 0.002250% | 0.001900% | 0.002090% | N/A |
| Town's proportionate share of the net pension liability | $ 310,684 | $ 323,180 | $ 279,873 | $ 499,004 | $ 432,170 | $ 330,375 | $ 350,506 | $ 306,679 | $ 325,465 | N/A |
| Town's covered payroll | $ 250,562 | $ 239,856 | $ 241,506 | $ 314,524 | $ 313,113 | $ 234,991 | $ 227,273 | $ 177,189 | $ 177,108 | N/A |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | 123.99% | 134.74% | 115.89% | 158.65% | 138.02% | 140.59% | 154.22% | 173.08% | 183.77% | N/A |
| Plan fiduciary net position as a percentage of the total pension liability | 75.47% | 74.26% | 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) | 2024 (2023) | 2023 (2022) | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 through 2015 |
|---|---|---|---|---|---|---|---|---|
| Town's proportion of the net OPEB (asset) | 0.001970% | 0.203000% | 0.002180% | 0.002950% | 0.003040% | 0.002410% | 0.002280% | Information |
| Town's proportionate share of the net OPEB (asset) | $ (10,637) | $ (11,329) | $ (10,621) | $ (2,089) | $ (840) | $ (868) | $ (1,241) | not available |
| Town's covered payroll | $ 250,562 | $ 239,856 | $ 241,506 | $ 314,524 | $ 313,113 | $ 234,991 | $ 227,273 | |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | -4.25% | -4.72% | -4.40% | -0.66% | -0.27% | -0.37% | -0.55% | |
| Plan fiduciary net position as a percentage of the total pension liability | 134.37% | 137.79% | 130.24% | 104.33% | 101.62% | 102.20% | 103.57% | |

**ASRS-Long-Term Disability**

| Reporting Fiscal Year (Measurement Date) | 2024 (2023) | 2023 (2022) | 2022 (2021) | 2021 (2020) | 2020 (2019) | 2019 (2018) | 2018 (2017) | 2017 through 2015 |
|---|---|---|---|---|---|---|---|---|
| Town's proportion of the net OPEB (asset) | 0.001940% | 0.200000% | 0.002160% | 0.002920% | 0.003010% | 0.002370% | 0.002260% | Information |
| Town's proportionate share of the net OPEB (asset) | $ 254 | $ 185 | $ 446 | $ 2,215 | $ 1,961 | $ 1,238 | $ 819 | not available |
| Town's covered payroll | $ 250,562 | $ 239,856 | $ 241,506 | $ 314,524 | $ 313,113 | $ 234,991 | $ 227,273 | |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | 0.10% | 0.08% | 0.18% | 0.70% | 0.63% | 0.53% | 0.36% | |
| Plan fiduciary net position as a percentage of the total pension liability | 93.70% | 95.40% | 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, 2024

| ASRS-Pension<br>Reporting Fiscal Year | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Statutorily required contribution | $ 28,785 | $ 29,867 | $ 28,375 | $ 27,894 | $ 36,013 | $ 35,006 | $ 25,614 | $ 24,500 | $ 19,225 | N/A |
| Town's contributions in relation to the statutorily required contribution | (28,785) | (29,867) | (28,375) | (27,894) | (36,013) | (35,006) | (25,614) | (24,500) | (19,225) | N/A |
| Town's contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | N/A |
| Town's covered payroll | $ 239,277 | $ 250,562 | $ 239,856 | $ 241,506 | $ 314,524 | $ 313,113 | $ 234,991 | $ 227,273 | $ 177,189 | N/A |
| Town's contributions as a percentage of covered payroll | 12.03% | 11.92% | 11.83% | 11.55% | 11.45% | 11.18% | 10.90% | 10.78% | 10.85% | N/A |

| ASRS-Health Insurance Premium Benefit<br>Reporting Fiscal Year | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 through 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Statutorily required contribution | $ 263 | $ 276 | $ 496 | $ 934 | $ 1,541 | $ 1,440 | $ 1,034 | $ 1,227 | Information |
| Town's contributions in relation to the statutorily required contribution | (263) | (276) | (496) | (934) | (1,541) | (1,440) | (1,034) | (1,227) | not available |
| Town's contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | |
| Town's covered payroll | $ 239,277 | $ 250,562 | $ 239,856 | $ 241,506 | $ 314,524 | $ 313,113 | $ 234,991 | $ 227,273 | |
| Town's contributions as a percentage of covered payroll | 0.11% | 0.11% | 0.21% | 0.39% | 0.49% | 0.46% | 0.44% | 0.54% | |

| ASRS-Long-Term Disability<br>Reporting Fiscal Year | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 through 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Statutorily required contribution | $ 359 | $ 350 | $ 449 | $ 431 | $ 535 | $ 501 | $ 376 | $ 307 | Information |
| Town's contributions in relation to the statutorily required contribution | (359) | (350) | (449) | (431) | (535) | (501) | (376) | (307) | not available |
| Town's contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | |
| Town's covered payroll | $ 239,277 | $ 250,562 | $ 239,856 | $ 241,506 | $ 314,524 | $ 313,113 | $ 234,991 | $ 227,273 | |
| Town's contributions as a percentage of covered payroll | 0.15% | 0.14% | 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, 2024, 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 February 10, 2025.

## 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 or significant deficiencies 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.

February 10, 2025